C2C: Clean Energy *to* Communities

U.S. DEPARTMENT OF ENERGY

Unlocking Clean Energy for All: Financing Strategies for a More Equitable Energy Future

Cohort Summary

June 8, 2023

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Unlocking Clean Energy for All: Financing Strategies for a More Equitable Energy Future

January
Foundations for equitable program success and using old funds in new ways

February
New opportunities for residents and communities through BIL & IRA

March
Empowering household adoption of clean energy

April
Financing clean energy at scale with community partners

May
Interconnected issues: electrification, energy efficiency, and home repair

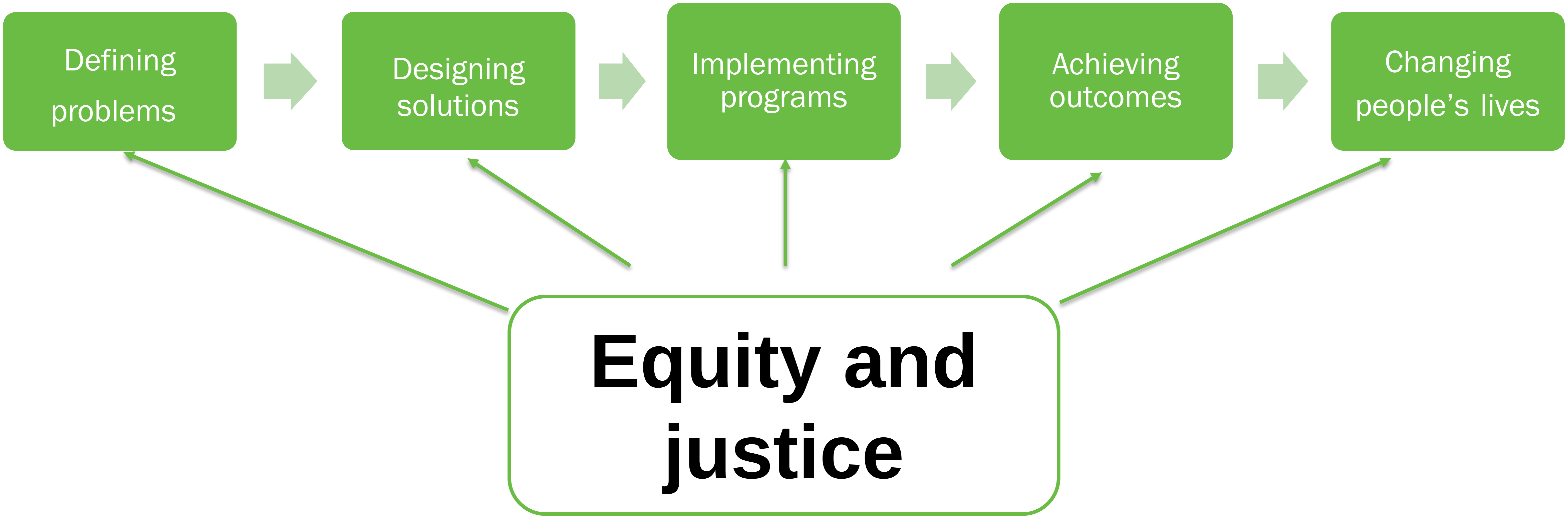
June
Community engagement and reaching LMI populations

Cohort Participants

- Ann Arbor, Michigan
- Burbank, California
- Burlington, Vermont
- Chicago, Illinois
- Cincinnati, Ohio
- Cohoes, New York
- Columbus, Ohio
- City and County of Denver, Colorado
- Grand Rapids, Michigan
- Hawaii County, Hawaii
- Honolulu, Hawaii
- Los Angeles, California
- San Diego, California
- Santa Monica, California
- Westminster, Colorado

Workshop 1: Why must we continually center our definitions of equity and justice in clean energy program development?

Our ideas inform the process of program development and ultimate impacts on people's lives



Workshop 2: To successfully utilize BIL and IRA funding, local governments should take these considerations into account

1. Carefully consider which funding opportunities suit the programs and initiatives you want to implement
2. Center equity and justice in your approach to those funding opportunities and listen to community voices
3. Look for opportunities to collaborate with other government departments, community-based organizations, and the private sector
4. Seek out funding or financing opportunities beyond grants
5. Look back to what was considered previously infeasible and be ambitious!
6. Consider how you will leverage initial funding into sustained success

Workshop 3: Barriers for LMI households should inform financing solutions

Barriers

- LMI communities have lower access to capital and less ability to absorb risk
- Existing incentives (tax credits, private loan products, rebates) less likely to overcome financial barriers
- Prevalence of renting limits control over energy decision-making
- Some communities may be less likely to trust energy financing programs due to unfamiliarity or negative experiences

Design solutions

- Flexibility in loan or program qualification criteria
- Cash flow positivity
- Easing of administrative burdens
- Inclusion of energy efficiency technology and guidance for renter engagement
- Partnership with existing community institutions
- Proactive stakeholder engagement

Workshop 4: Multi-stop process to establishing credit enhancements to support LMI consumers

Determine your program scope and goals

- Identify the market you wish to serve
- Establish scope of technologies and projects
- Engage with stakeholders to identify financing barriers and shape credit enhancement program

Capitalize

- Capital for credit enhancement funds can come from many sources, such as:
  - Federal or state grants
  - Bond proceeds
  - Settlements
  - Ratepayer funds
  - Budget appropriations

Identify external partners

- Contact local financial institutions to determine interest and capacity
- Evaluate existing loan products to see how they may align with your goals
- Look for preferred developers or contractors to help ease transaction costs

Negotiate on terms

- Establish underwriting criteria (minimum credit scores, alternative criteria)
- Determine down payments, interest rate and interest rate buydown strategy
- If pursuing a loan loss reserve, determine the risk-sharing formula
  - Ratio of LLR funds to total portfolio
  - Individual loan recovery percentage

Workshop 4: Bulk purchase campaigns offer opportunities at the nexus of program financing and resident outreach

- Solarize is a classic example of a bulk purchase campaign, but the concept may be able to support deployment of a variety of technologies and solutions.
- Core components of these campaigns include cost reduction and the provision of financing mechanisms for resident participation.
- Beyond the cost savings, these campaigns can include education and outreach services that can expand access to new customers.

Solar (+ storage)

Heat pumps

Home repair

EVs & EVSE

Workshop 4: On-bill financing presents an opportunity to support low-income uptake with no upfront cost

Utilities may have financing options that allow residents to adopt clean energy and energy efficient technology and pay on their bill using their savings:

- **On-bill financing (OBF)** - The utility is the lender.
- **On-bill repayment (OBR)** - A third party is the capital provider, and the utility operates as a repayment conduit for that third-party capital provider.
- **Tariffed on-bill (TOB) or Pay as You Save (PAYS)** - Financed through a utility offer that pays for upgrades under the terms of a new, additional tariff. This tariff includes a cost recovery charge on the bill, and it is associated with the meter at the address of the property.

ADVANTAGES
• Savings are paired directly with repayment on the same bill. • Can be structured to meet the needs of different markets. • Provides a secure revenue stream because failure to pay can be tied to disconnection. • Can use past bill repayment as a proxy for credit.
DISADVANTAGES
• Utilities are often reluctant to take on role of financing entity; potential exposure to consumer lending laws and alterations to billing systems are required. • Can be complicated to set up. • If transferability is not allowed, businesses or homeowners must pay off entire loan upon sale of property, which could result in not all of the energy savings being realized.

Sources: U.S. Dept. of Energy, https://www.energy.gov/scep/slsc/bill-financing-and-repayment-programs; ACEEE, https://www.aceee.org/toolkit/2017/02/bill-energy-efficiency

Workshop 5: Local governments can expand equitable access to community solar in the following ways

1. Support community solar enabling policies and programs that allow LMI residents to benefit
    - Example: Hoboken, NJ submitted comments on the permanent version of NJ's Community Solar Energy Pilot Program design docket in 2022, arguing for consolidated billing to make it easier for LMI residents to participate.
2. Strengthen benefits of community solar for LMI residents
    - Provide direct financial support for LMI subscribers
        - Example: Anaheim, CA provides a billing discount of $10 per month to eligible program participants.
    - Expand benefits beyond subscriber bill savings
        - Example: Pueblo, CO and partners developed a community solar project that will support job training and educational opportunities for residents.

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3. Minimize risks and reduce LMI community solar development costs
   - Mitigate the impact of subscription turnover
     - Example: Mankato, MN purchased a 15% share in a community solar project to ensure that subscriptions were flexible enough for LMI customers to be eligible.
   - Lease or donate public property
     - Example: A community solar project at Oxon Run in Washington, D.C. is located on a publicly-owned brownfield site and serves ~750 income-eligible households.
   - Establish a loan fund to support access for LMI residents
     - Example: The municipal utility for River Falls, WI hosts a community solar loan program that spreads out the cost of participation.

4. Provide educational and technical support for marketing campaigns
   - Example: Denver, CO has promoted its community solar program, the Renewable Denver Initiative, alongside its Solarize campaigns.