

Designing a Revolving Energy Fund in a Post-Incentive World

*Central Coast Sustainability Summit
October 16th, 2019*

Today's Discussion

County of San Luis Obispo

Annie Secrest - Energy & Water Coordinator, Public Works

City of Santa Barbara

Alelia Parenteau - Energy Program Supervisor, Public Works

Southern California Regional Energy Network

Eric Bornstein - Program Manager, The Energy Coalition

Final Thoughts

Q&A

REVOLVING ENERGY & INNOVATION FUND



COUNTY OF SAN LUIS OBISPO

www.slocounty.ca.gov

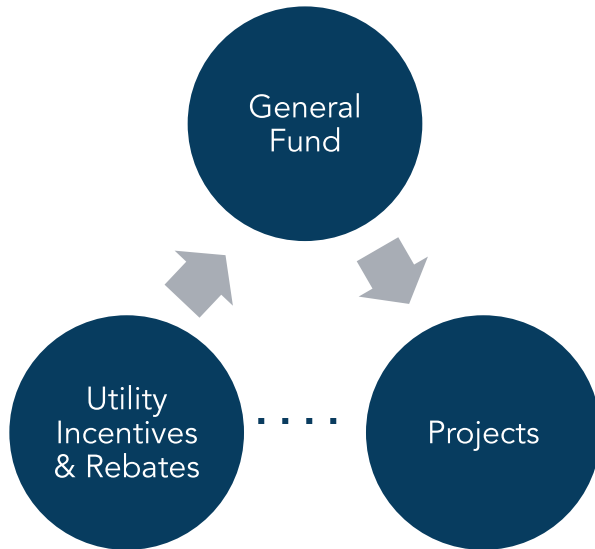
Agenda

- Background
- What is a Revolving Energy Fund?
- Fund Development Approach
- Fund Design & Tools
- Stakeholder Engagement
- Seed/Contribution Funding
- CEC Loan



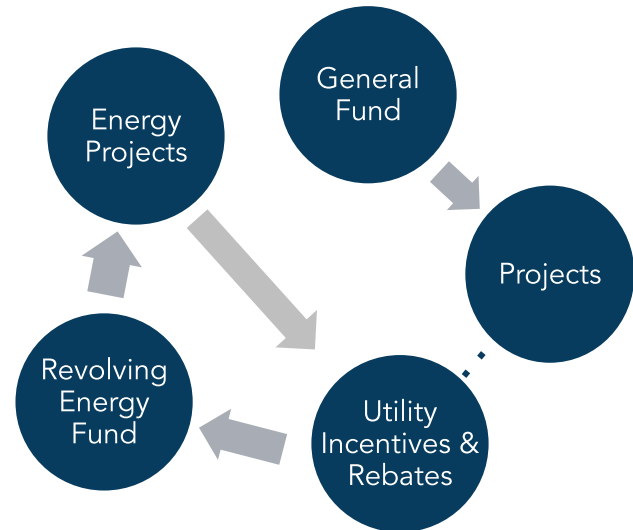
What is a Revolving Energy Fund?

Traditional Flow



Incentives and rebates go back into the General Fund

Revolving Energy Fund



Incentives and rebates are placed in a Revolving Energy Fund, which in turn funds energy projects





Why a Fund?

- Energy projects often compete against capital and maintenance projects
- Provides a dedicated source for funding energy projects
- As the Fund grows, additional energy and cost savings projects can be funded, thus growing the savings to the department and General Fund
- Provides a way for departments and the General Fund to track and realize savings from energy projects that would otherwise go unaccounted for
- Exhibit commitment to sustainability



Background: The County

- **San Luis Obispo County**
 - Approximately 284,000 people
 - Per capita income: ~\$34k
 - Populated center surrounding City of San Luis Obispo
 - Predominantly rural and agricultural elsewhere
- **County of San Luis Obispo**
 - Approximately 3,000 staff
 - Twenty-four departments
- **The Energy & Water Coordinator Position**
 - Facilities Planning Division, Department of Public Works (approximately 300 staff members)
 - Filled in mid-2017 after numerous years of vacancy



Our Fund Development Approach

- Background research
- Determine fund type and develop tools
- Identify fund mechanics and financial aspects
- Develop tools v. 2
- Meetings with stakeholder groups
- Board of Supervisors approval



Background Research

Performed research

- Desktop review of eleven jurisdictions' funds, plus other general research

Conducted phone interviews with case studies

- City of Visalia, established 2003
- City of Moreno Valley, established 2011
- City of Ann Arbor, established early 1990's
- City of Santa Barbara, established 2016

Topics of interest

- Seed funding
- Fund replenishment
- Savings calculations/tracking
- Future of fund



Background Research – Types of Funds

Simple Model

- a. Cash inflows are limited to incentives and rebates

Moderate Model

- a. Incentives and rebates
- b. + Energy savings from a defined benefit (payback to REF) period

Complex Model

- a. Incentives and rebates
- b. Energy savings from a defined benefit (payback to REF) period
- c. + Fee on utility bills and/or to departments for project management, staff position, administrative efforts, etc.



Fund Design & Tools

Project Types

- Energy efficiency projects
- Solar and/or energy storage power purchase agreements
- Excluded: Enterprise Funds

Fund Replenishment

- All utility rebates and incentives
- Energy savings for duration of Pay-it-Forward (PIF) Period
 - EE: 100% of energy savings for two years
 - Solar/Storage: 50% of savings for three years

Tracking

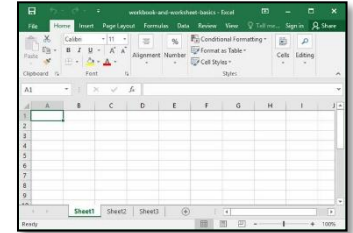
- The REF provides a way for departments and the General Fund to track and realize savings from energy projects that would otherwise go unaccounted for
- Minimum number of years the General Fund would realize savings had to be greater than PIF Period □ Led to determining project payback threshold
 - Payback threshold: five years for lighting, ten years for other



Fund Design & Tools

Tool: Energy Fund Tracking Workbook

- Develop a way to model financial scenarios, track projects, fund growth, and other important metrics



Tool: Policy and Procedure Documents

- Policy: Provides a quick guidance document for department heads, executive committees, etc.
- Procedure: Provides staff with direction of how the fund operates, when transfers occur, assigns roles and responsibility, etc.



Fund Design & Tools

Must Have

- Fund must support more than just EE projects

% Savings	50%				
REIF Estimated Start Date	7/1/2019				
Benefit Period (Years)	3				
Year 1 Total Annual Savings		Assumed REIF Savings	Start Date		
Solar Site 1	\$ 24,778.00	\$ 12,389.00	12/1/2018		
Solar Site 2	\$ 17,225.00	\$ 8,612.50	3/1/2019		
Solar Site 3	\$ 15,539.00	\$ 7,769.50	12/1/2018		
Solar Site 4	\$ 142,422.00	\$ 71,211.00	3/1/2019		
Calculations					
Transfer Date	7/1/2020	7/1/2021	7/1/2022	7/1/2023	
Operational REIF Month	12	24	36	48	
	Year 1	Year 2	Year 3	Year 4	
Solar Site 1	\$ 7,226.92	\$ 12,389.00	\$ 12,389.00	\$ 5,162.08	
Solar Site 2	\$ 3,588.54	\$ 8,612.50	\$ 8,612.50	\$ 5,023.96	
Solar Site 3	\$ 4,532.21	\$ 7,769.50	\$ 7,769.50	\$ 3,237.29	
Solar Site 4	\$ 29,671.25	\$ 71,211.00	\$ 71,211.00	\$ 41,539.75	
Total	\$ 45,018.92	\$ 99,982.00	\$ 99,982.00	\$ 54,963.08	\$ 299,946.00

Solution

- Fund allows for solar and energy storage projects
- For these projects, PIF period assumes 50% of energy savings for three years (typical contract term = 20 years)



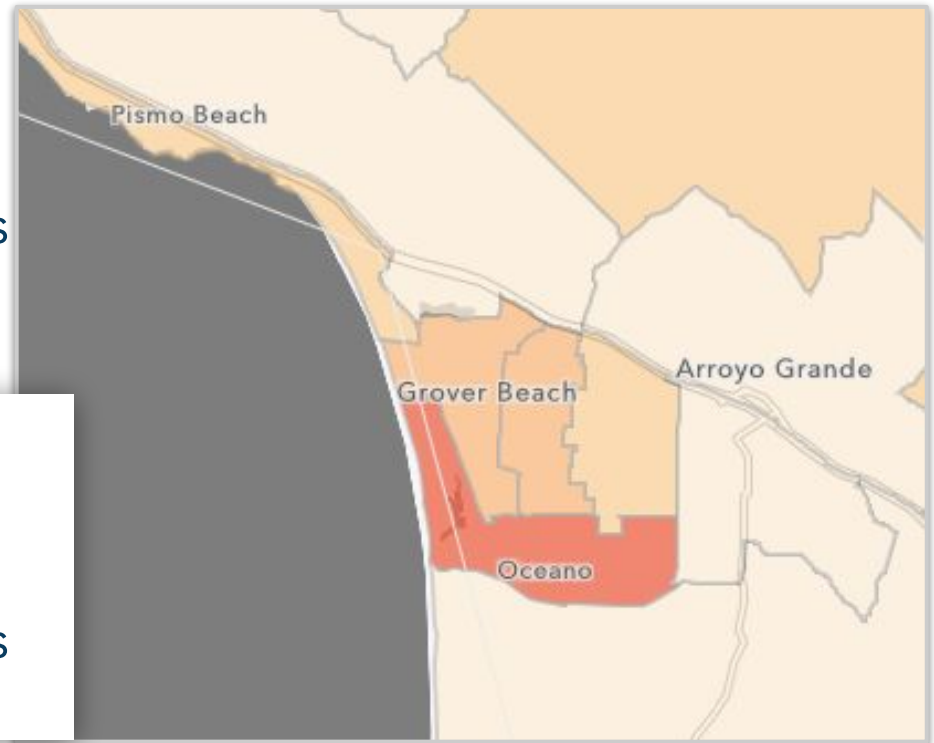
Fund Design & Tools

Must Have

- Fund must give precedence or weight to projects in rural/HTR areas

Solution

- Project workbook favors projects in rural/HTR areas



Stakeholder Engagement

- Meetings with various divisions and departments, including:
 - Finance
 - Auditor
 - Administrative Office
- Quarterly executive stakeholder meetings
- Critical lessons learned
 - Savings must be measured
 - Savings must be measured and held on a quarterly basis to ensure they aren't earmarked for the General Fund
 - Each stakeholder group has an important, possibly fund-altering perspective



Seed/Contribution Funding

Revolving Loan Fund

Seed Money

- Incentives
 - Lighting
 - SST 2.0
 - SST 1.0
- rebates
 - grants
 - e-savings
 - bake sales

where do these currently go? [GF]

Project Types

- payback threshold types
- ce vs renewable

Next Phase

Vision & purpose

- who uses
- what projects (det. by seed \$)
- thresholds
- "payback" terms

Action Items

- SM pulls JG's list
- AS pulls CIP list
- SST 1.0 - \$87k
 - AS to look into past (where they went)
 - AS to ask about diverting 2kt
- SST 2.0
 - need final list of measures AS to ask MM
 - SM to set up call w/ Santa Barbara (sept?)

Considerations

- To track/utilize e-savings (\$) we need to have baseline det. and a way to monitor e-moving fund.
 - Energy Manager in future aka. Oct 2018
- PG&E STEP model (funding?)
- Amount of seed money

Questions

- *Would we be allowed divert GF incentive \$ to RLF?
- What happened to SST 1.0 rebates? - Prior 21A
- Who/what depts would be allowed to use it?



Other Funding: CEC Loan

About our CEC Loan

- Amount: \$2.2 MM
- Funded: Energy efficiency projects at numerous sites

Feedback from Staff

- CEC loan is not administratively burdensome
- Low-interest loan very attractive compared to other loan options

Suitability

- Large, otherwise unfinanced projects
- One-off projects or opportunities



Thank You!

Annie Secrest
asecrest@co.slo.ca.us





PUBLIC WORKS DEPARTMENT

CITY OF SANTA BARBARA ENERGY REVOLVING FUND

Alelia Parenteau, Energy and Climate Program Supervisor



How we used to fund projects...

Beg

- One-time Capital Allocation
- Increased Budget

\$\$\$\$

Borrow

- CEC Loans
- Municipal Bonds
- On-Bill Financing

\$

~~Steal~~ Leverage

- Incentives
- Strategic Planning Funds
- Direct Install Program
- Power Purchase Agmts

\$0

And now with a Revolving Fund too!



Our Utilities Management Program (UMP)

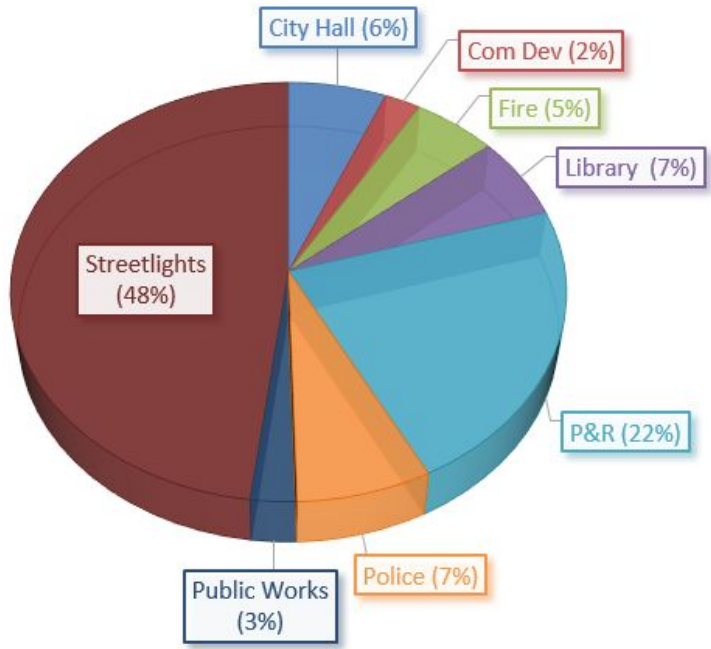
- Located within the Facilities Division
- Manages and pays all General Fund utility bills (electric & gas)
- Allows for centralized management and analysis of over 650 City accounts
- Program completed its first full year in FY2017





How is the UMP Funded

- The program is fully funded through allocated costs
- Based on previous year's expenditures
- Also accrues incentives, grants and rebates – as well as rate change savings
- Currently only applies to General Fund programs





How We Got Started

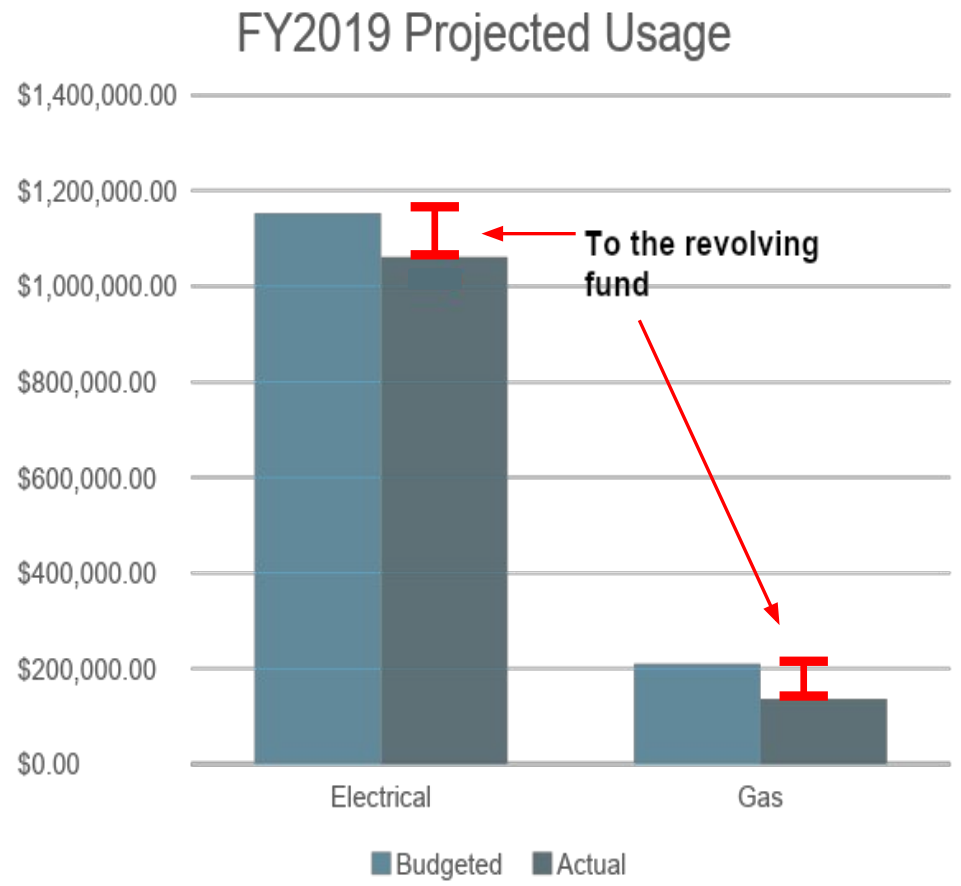
- Received \$25k one-time seed funding
- \$120k Loan from General Fund
- Prioritized quick payback projects first (1-3 years)
 - Lighting
- Regular rollovers annually approximately \$90k/year





FY 2019 Snapshot

- Total FY 2019 UMP Budget - \$1.35M
 - Electricity - \$1.15M
 - Gas - \$210k
- Savings are reinvested
- Big One-Time Investments
 - Streetlight Incentives
 - On Bill Financing





Need to Create Pipeline

- Injection of funds means:
 - Need to identify projects
 - Prioritize projects for fund growth
 - Need staff to manage projects!
- ZNE Roadmap
 - Provides sequencing of projects
- Look beyond projects for potential benefits
 - Hiring assistance?





Hurdles - People

- Behavioral impacts
 - Removed financial motivation for smart energy usage
 - Inherent risk in fund design
- Budgetary hurdles
 - Unique accounting
 - Requires keen understanding of budget process
 - Needs scrutiny and increased oversight





Hurdles - Projects

- No low hanging fruit
 - Slow account growth
- Retirement of most incentives
- Cost of renewable energy and storage projects

Beg

- One-time Capital Allocation
- Increased Budget

\$\$\$\$

Borrow

- CEC Loans
- Municipal Bonds
- On-Bill Financing

\$

~~Steal~~ Leverage

- ~~Incentives~~
- ~~Strategic Planning Funds~~
- Direct Install Program
- Power Purchase Agmts

\$0

Ask Yourself

- What does your agency want the fund to look like (projects, departments to involve/exclude)?
- How fast does your agency want to grow the fund?
- Who are the appropriate parties to involve?
- Where will the day-to-day of the fund live and who will manage the fund?

Don't Forget...

- This is a significant work effort
- Invite a diverse range of stakeholders to weigh in and invite them into the process early!
- Funding Enterprise Fund Departments can present legal and accounting complexities
- Even best-laid plans can be impacted by conditions beyond organization's control
 - *Rate increases*
 - *Behavioral use*



Thank you

Alelia Parenteau

Revolving Loan Fund

Southern California REGIONAL ENERGY NETWORK



The Southern California Regional Energy Network (SoCalREN) was created to harness the collective power of residents, businesses and the public sector to achieve an unprecedented level of energy savings across Southern California.



Residential



Multifamily



Financing



Public Agencies



The SoCalREN Public Agency Programs are administered by the County of Los Angeles and funded by California utility ratepayers under the auspices of the California Public Utilities Commission. Learn more at socalren.org.

SoCalREN Public Agency Programs



Project Delivery Program



Metered Savings Program



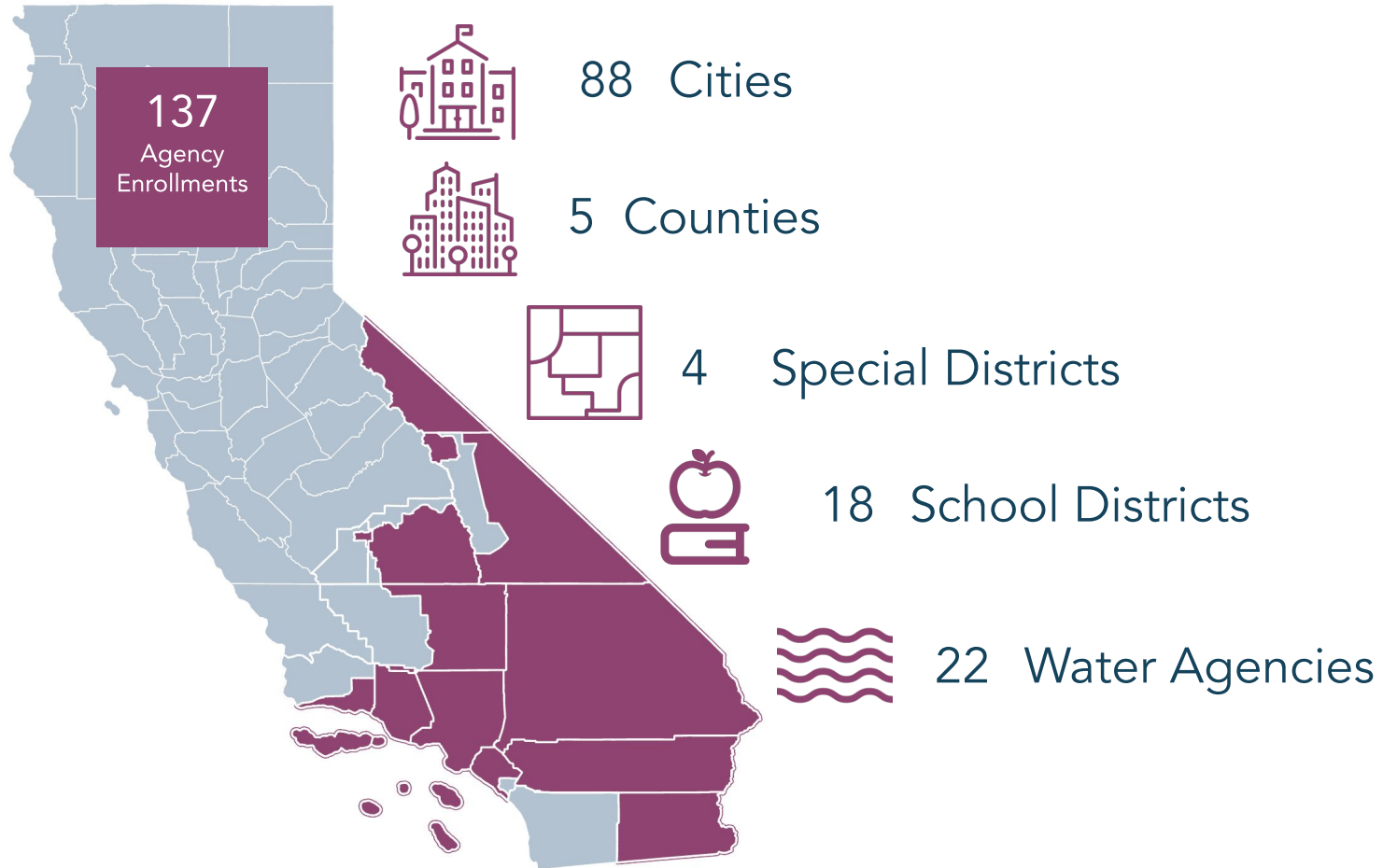
Revolving Loan Fund

Today's Focus



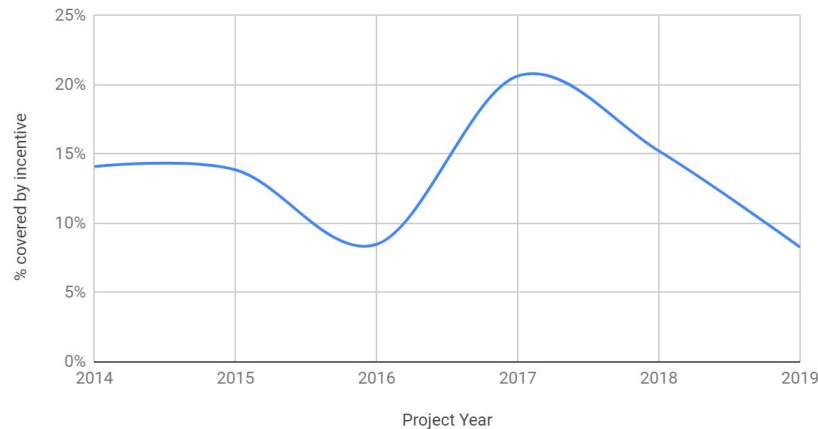
Pathway to Zero

Who's in the Network?

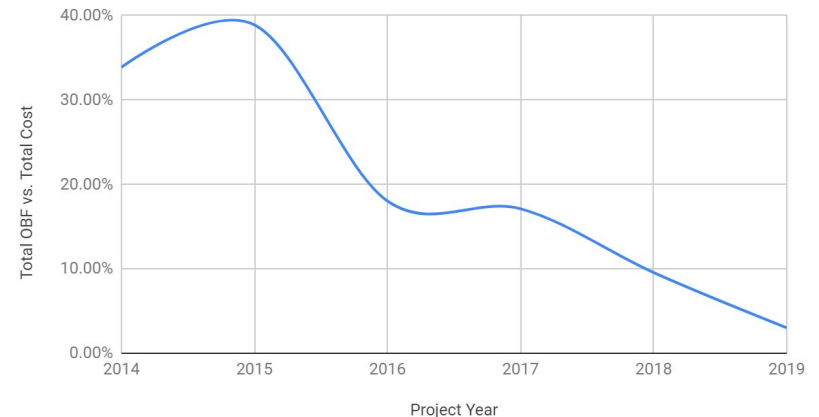


SoCalREN Experience

Incentive Contribution to Project Costs



On-Bill Financing to Project Costs



- Expiring measures translate to less incentives and Utility On-Bill Financing (OBF) available
- Need for new and creative financing options for energy efficiency
- The internal revolving loan fund (RLF) is part of the solution

We asked: how can SoCalREN fill gaps and help more agencies?

SoCalREN's Revolving Loan Fund (RLF) is the solution

- SoCalREN's Revolving Loan Fund can provide the bridge funding your agency needs to make your energy efficiency project a reality
- The Revolving Loan Fund offers an easy process, 0% interest rate, simple application, efficient processing, and relatively quick allocation of funds
- The Fund is part of a suite of customizable services, including project management, incentive application, procurement, and other support SoCalREN provides for enrolled agencies

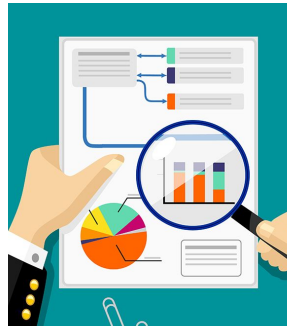


Anticipating Delays

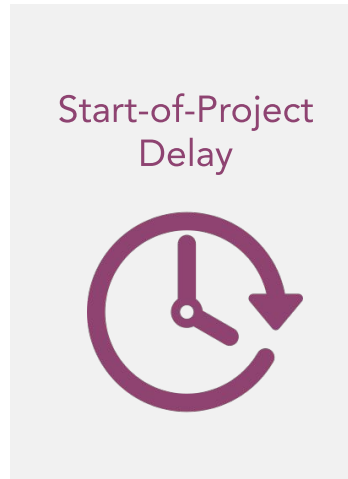
Opportunity costs build if a project stalls while waiting for longer-term financing



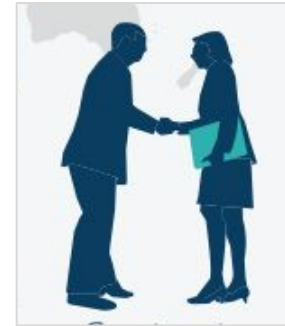
SoCalREN
Enrollment



Energy
Audit



Start-of-Project
Delay



Project
Procurement



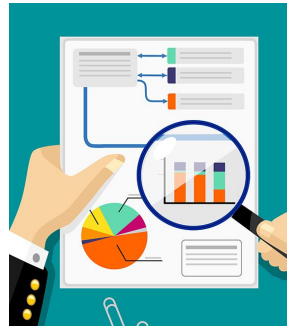
Construction

Mitigating Delays

SoCalREN's RLF eliminates project delay with quick allocation of funds



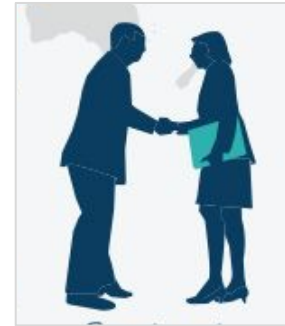
SoCalREN
Enrollment



Energy
Audit



RLF Application
& Approval



Project
Procurement



Construction

How does it work?

Public agencies leverage the fund and “pay it forward”



SoCalREN Revolving Loan Fund complements other financing options

<p>Utility On-Bill Financing (OBF)</p> <ul style="list-style-type: none">● Reimbursable● Up to 10 year term● Only certain projects are eligible	<p>California Energy Commission (CEC) Loan</p> <ul style="list-style-type: none">● Reimbursable● 1% interest rate	<p>Grant Funding</p> <ul style="list-style-type: none">● Can combine with other funds● Competitive● Varying qualifications	<p>Energy Lease Financing</p> <ul style="list-style-type: none">● Upfront funds distribution● 15 year term● Market rate interest	<p>SoCalREN's RLF</p> <ul style="list-style-type: none">● Allows for more expensive projects● Adds flexibility
---	--	--	--	---

SoCalREN Revolving Loan Fund

In summary:



Authorizes Funds for
RLF Marketing and
Administration



Funds for RLF Loan
Servicing

- A tailored solution for public agencies
- Comprehensive support when combined with other SoCalREN Public Agency Programs
- Assists public agencies in overcoming barriers related to the lack of access to capital
- Compliments other sources of funds / financing
- Provides an innovative and low-cost solution for short-term energy project financing

Thank you!

Eric Bornstein

(949) 732- 1067

EBornstein@energycoalition.org

socalren.org | [@ SoCalREN](#)

Q&A

Thank you!