

ENERGY EFFICIENCY FINANCING OVERVIEW

**Retrofit Conference
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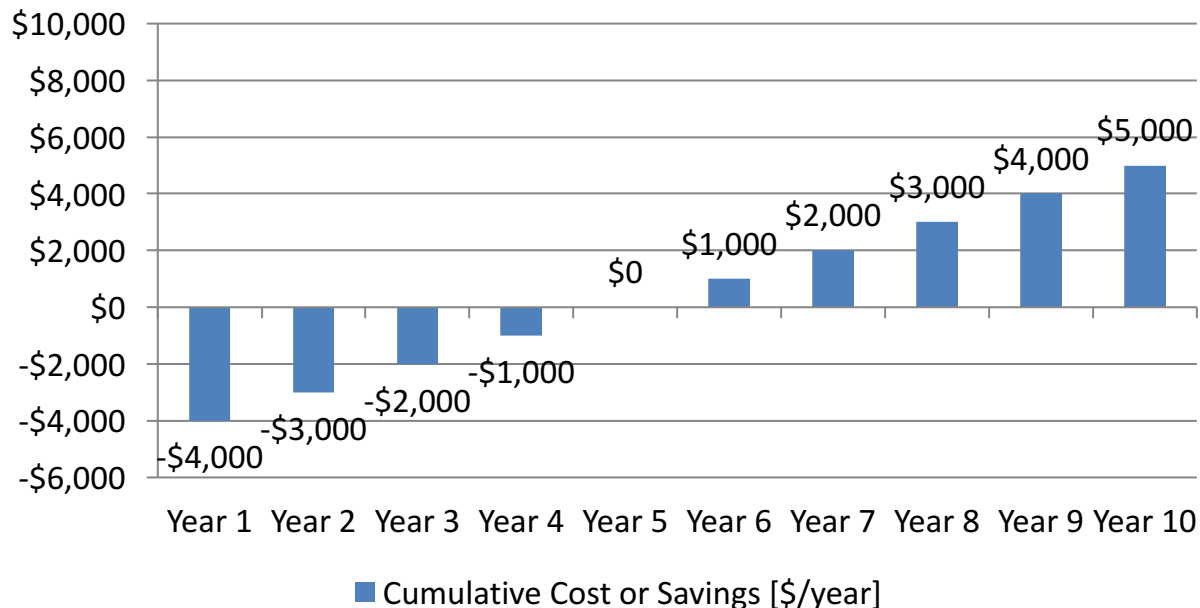
Agenda

- **Overview of Financing Options**
- **Updates in Illinois**
- **Q & A**

Why is Financing Needed and How is it Measured?

- Many projects tend to have a high upfront cost and then provide lower energy bills over a long time
- Payback period is the amount of time for the savings to match the costs, and can be a few months to a few years

Cumulative Costs or Savings [\$/year]



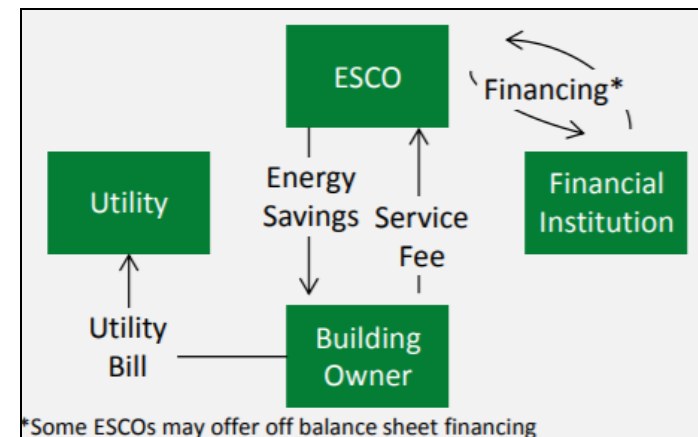
SAMPLE Energy Efficiency Project

- Year 1: Upfront cost of \$5,000
- Annual savings of \$1,000, starting in Year 1
- 10 Year Equipment Lifetime
- Payback period: 5 years
- Total savings at end of 10 years: \$5,000

Financing Mechanisms – Energy Savings Performance Contract (ESPC)

Overview: *An energy services company (ESCO) provides guaranteed savings for a set period of time in exchange for a fee.*

- Building owner pays a fee and receives energy savings as a service
- Utility bills are guaranteed to go down over a set period
- Often includes multiple projects at multiple buildings
- Little to no upfront cost to owner
- The ESCO takes on the performance risk
- **Typically used by:** Municipalities, Universities, Schools, Hospitals, and other groups with large portfolios
- **Tip:** Consider having a party other than the ESCO complete the energy audit / assessment



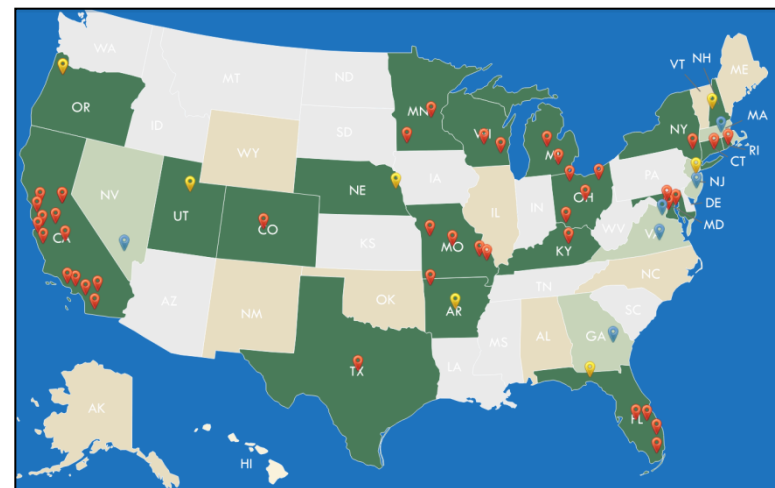
Source - U.S. DOE:

<https://betterbuildingsolutioncenter.energy.gov/sites/default/files/attachments/ESCO%20Financing%20Summary.pdf>

Financing Mechanisms – Property Assessed Clean Energy (PACE)

Overview: A loan provided for specific upgrades and paid back through an assessment on the property's tax bill over 5-20 years

- Building owner receives a loan and pays it back on a tax assessment
 - The assessment stays on the property tax bill, even if ownership changes
 - Funded through municipal bonds or private lending
 - Little to no upfront cost to owner
 - Can be used for energy efficiency, water efficiency, & renewable energy
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- **Typically used by:** Commercial property owners
 - **Tip:** Not available in all areas; requires enabling legislation at the state, then program development at the local level



Source – PACE Nation

<http://pacenation.us/>

Financing Mechanisms – On-Bill Financing

Overview: A loan provided by a utility for a specific upgrade(s) and paid back on the property's utility bill

- Building owner receives a loan and pays it back on an utility bill
- Typically includes low or even 0% interest rates
- Little to no upfront cost to owner
- On-Bill Repayment is similar, except the funding is provided by a third party
- Another model is Tariffed On-Bill (TOB), in which the upgrades are financed through a utility offer paid through a new tariff
- **Typically used by:** Commercial property owners, residential or commercial tenants
- **Tip:** Not available in all areas; check with your utility



For more info, see ACEEE's website:

<http://aceee.org/sector/state-policy/toolkit/on-bill-financing>

Financing Mechanisms – Green Leasing

Overview: A green lease provides a structure that equitably aligns the costs and benefits of efficiency investments between building owners and tenants.

- Green leases lay out how energy costs are divided between tenants and owners
- Addresses the “split incentive” problem
- May include sections on: how energy data are shared and reported; operating hours for HVAC; sustainable purchasing; and/or recycling & waste management.
- **Typically used by:** Commercial property owners & tenants
- **Tip:** Also consider joining the Landlord-Tenant Energy Partnership:
<http://www.landlordtenantenergypartnership.org/>
- **Tip:** You can apply to win the Green Lease Leader Award: <https://www.greenleaseleaders.com/>



Updates in Illinois: Future Energy Jobs Act (FEJA)

Overview: Passed in December 2016, the Future Energy Jobs Act increases ratepayer energy efficiency programs and renewable energy opportunities

- Expands the ratepayer energy efficiency programs offered by ComEd and Ameren from \$250 million to \$400 million
 - Energy savings goals of 21.5% for ComEd and 16% for Ameren by 2030 (baseline is the annual average between 2014 and 2016).
 - Provides a bonus for utilities to exceed their efficiency targets and a penalty for falling short
 - At least \$25 million / year is earmarked for low-income customers
 - Changes measurement of energy efficiency measures from a focus on “annual incremental savings” to a “cumulative persistent savings” framework
- Updates the Renewable Portfolio Standard; Creates a new Community Solar program; and creates the new Illinois Solar for All program



For more info, see FEJA website: <http://www.futureenergyjobsact.com/>

Contact Information

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