

RHODE ISLAND FINANCING WHITE PAPER Kick-off Meeting

September 29, 2014



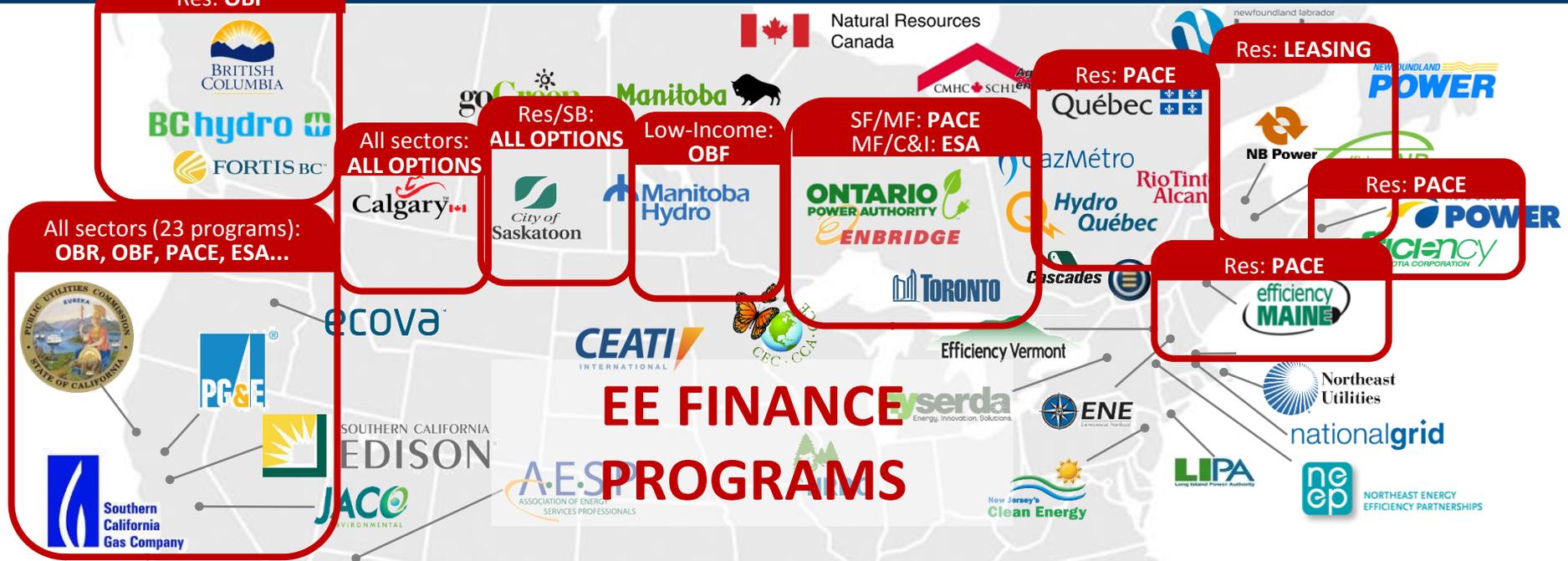
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DUNSKY OVERVIEW

CLIENTS (partial list)



EXPERTISE

- ▶ Energy Efficiency and Demand-Side Management
- ▶ Renewable Energy and Emerging Technologies
- ▶ Greenhouse Gas Reductions

SERVICES

- ▶ Design and evaluation of programs, plans and policies
- ▶ Strategic, regulatory and analytical support
- ▶ New opportunities assessments

CLIENTELE

- ▶ Utilities
- ▶ Governments
- ▶ Solution Providers
- ▶ Large consumers
- ▶ Non-profits

PROJECT TEAM



Philippe Dunsky: President of Dunsky Energy Consulting

- ▶ Has been exploring innovative financing for over a decade



Alex Hill

- ▶ Has led IF program designs and evaluations (Ontario, TAF, Sask., Calgary, California) with a background in commercial bldg. sector



David McNeil

- ▶ A 20 year carrier working in the financing industry, including running leasing and specialized loan programs



Marina Malkova

- ▶ Participated in best practice research and IF program designs and evaluations (Quebec, Ontario, TAF, Sask., Calgary, California)



Bill Norton and Antje Flanders Opinion **Dynamics**

OVERVIEW

Introduction (30 min)

- Approach and today's objectives

STEP 1: Background review (45 min)

- Current RI financing landscape
- EE financing in other jurisdictions

STEP 2: Financing opportunities analysis (30 min)

- Best financing options for RI: including wider opportunities
- Explore the benefits and costs of financing

Wrap up and next steps (15 min)



INTRODUCTION

Approach and today's objectives

WHITE PAPER RESEARCH APPROACH

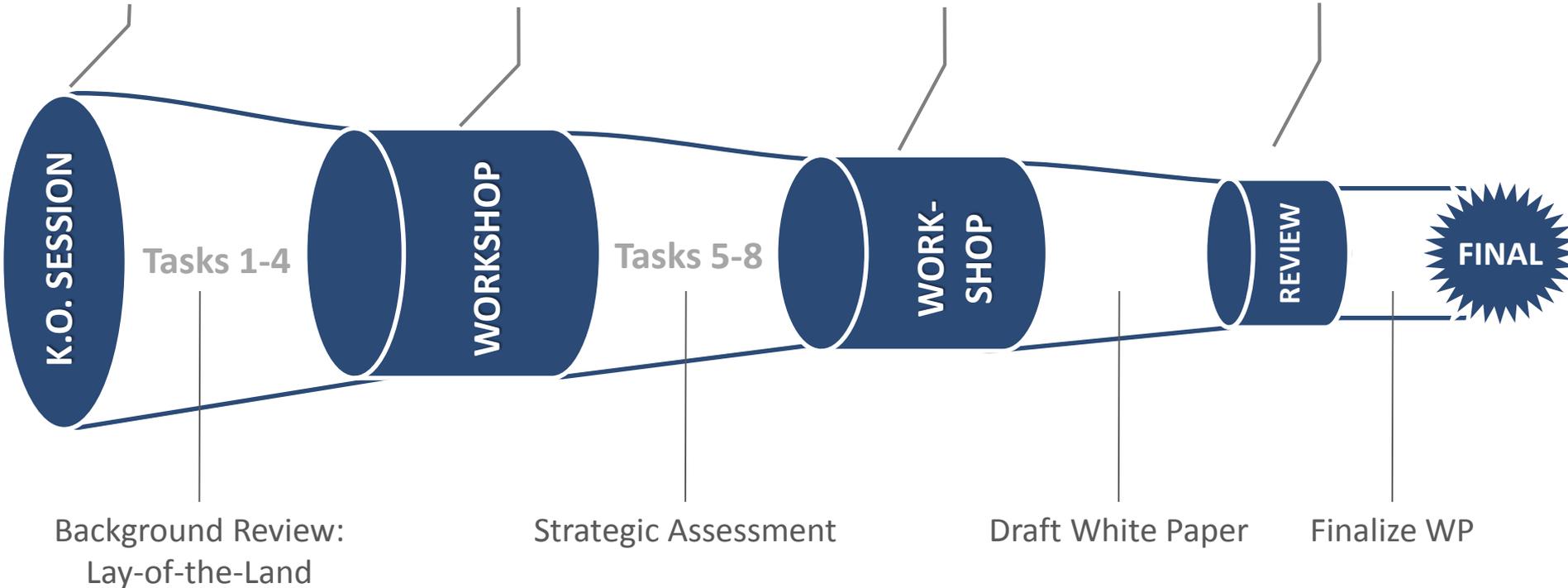


Productive Meeting
Facilitated discussion
+ learning re. R.I.

Half-day session: Oct. 27
present findings; set
strategic priorities for R.I.

Half-day session: Nov. 21
thoughtful consideration
of preferred options for R.I.

Feedback
present draft WP;
collect feedback



KICK-OFF MEETING OBJECTIVES



- Introduce Dunsky team to the EERMC financing subgroup
- Step 1: Background (RFP Tasks 1-4)
 - ▶ Identify people and studies that give insights into RI programs
 - ▶ Capture key perspectives from across sectors
 - ▶ Elaborate links between regulatory priorities and financing
- Step 2: Opportunities Analysis (Tasks 5-8)
 - ▶ Confirm white paper objectives
 - ▶ Consider range of strategic options
 - ▶ Verify white paper's target audience and desired impact



STEP 1: BACKGROUND REVIEW

Task 1: Defining the purpose of financing

Task 2: Clarifying Financing Terminology

Task 3: Current RI Financing Landscape

Task 4: EE Financing in Other Jurisdictions

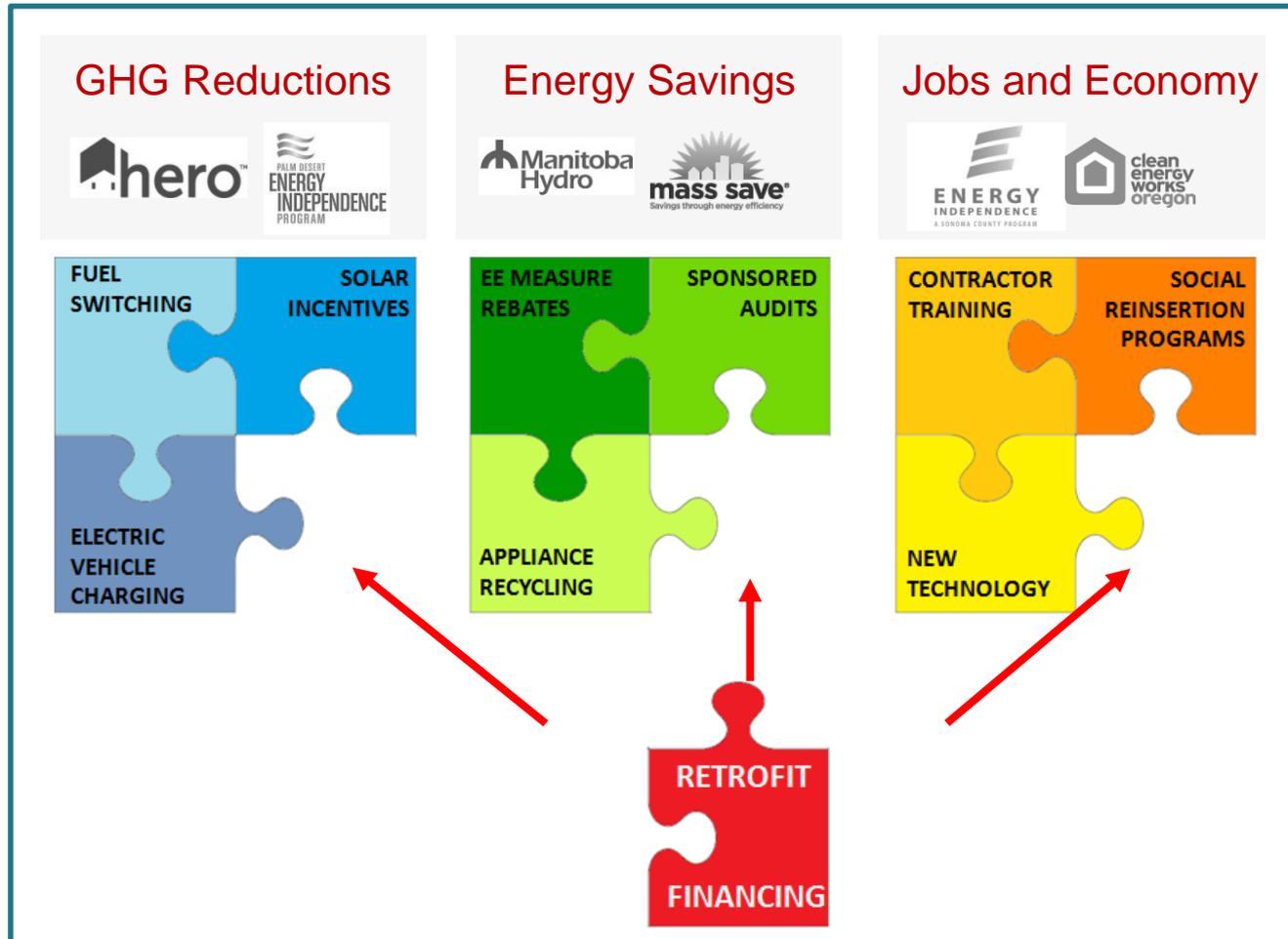
TASK 1: THE PURPOSE OF FINANCING



- How do you see financing's role in the RI regulatory environment?
 - ▶ Impact of regulations on financing
 - ▶ Financing's potential to realise policy objectives
- Key policy and regulatory documents
 - ▶ Least-cost procurement plans (2015-17)
 - ▶ Rhode Island State Energy Plan (RISEP)
 - ▶ Phase II Opportunity Report (2010)
 - ▶ Annual procurement plans
 - ▶ Other relevant policy documents?
- Establishing goals and objectives
 - ▶ Quantitative targets (kWh, kW)
 - ▶ SBC reductions
 - ▶ Maximize benefits for consumers
- Impacts on new generation
 - ▶ RI's broader energy goals
 - ▶ Filling gaps

TASK 1: THE PURPOSE OF FINANCING

Links with other state priorities



TASK 2: CLARIFYING TERMINOLOGY



REPAYMENT TOOLS

- ✓ PACE
- ✓ OBF/OBR
- ✓ MEETS
- ✓ ESPA
- ✓ Leases
- ✓ Loans

CREDIT ENHANCEMENTS

- ✓ Loan-Loss Reserves
- ✓ Debt Service Relief Funds
- ✓ Loan Guarantees
- ✓ Savings Insurance/Guarantees
- ✓ Interest Rate Buy Down
- ✓ Favourable Taxation

PROGRAM ASPECTS

- ✓ Transferability
- ✓ Underwriting Criteria
- ✓ On/Off Balance Sheet Lending
- ✓ Links with rebate programs
- ✓ Evaluations and impacts

CAPITAL MOBILIZATION

- ✓ Bonding (Aggregate or Single)
- ✓ Revolving Funds
- ✓ Warehousing
- ✓ Securitization
- ✓ Utility Rate of Return Incentives

TASK 3: FINANCING PROGRAMS IN RI



■ Commercial On-bill Repayment:

- ▶ \$13M Revolving fund

■ Residential: 0% HEAT loans

■ Commerce RI:

- ▶ \$2M ARRA Revolving fund

■ NG Institutional EE loans:

- ▶ \$1M Revolving fund

■ Home Energy Assistance Loan:

■ PACE program coming in 2014

■ First results and reflections:

- ▶ What is working?
- ▶ What is not?

■ Stakeholders

- ▶ Program Administrators
- ▶ Industry Contacts

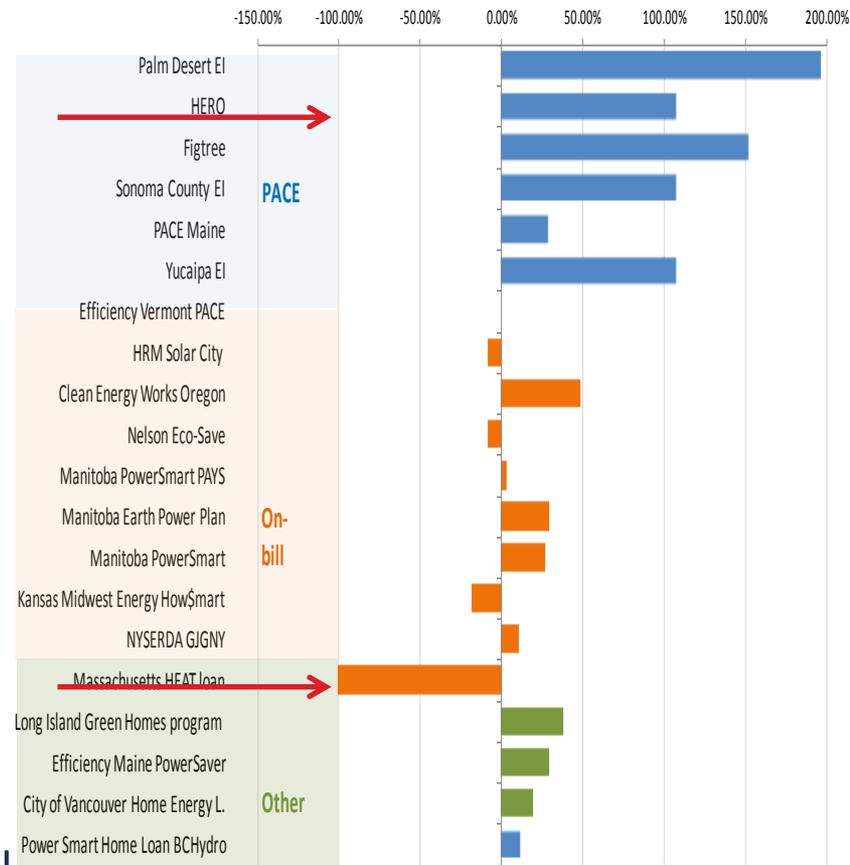
■ Available Evaluation and progress reports?

TASK 4: LESSONS LEARNED



- What financing does well
 - ▶ Overcomes barriers to EE
 - ▶ Deep retrofits
- What financing does not do well
 - ▶ Overcome split incentive
 - ▶ Generate a profit for the PA
- What is uncertain
 - ▶ Replaces rebates
 - ▶ That financing always expands EE uptake
 - ▶ That low interest rates are essential

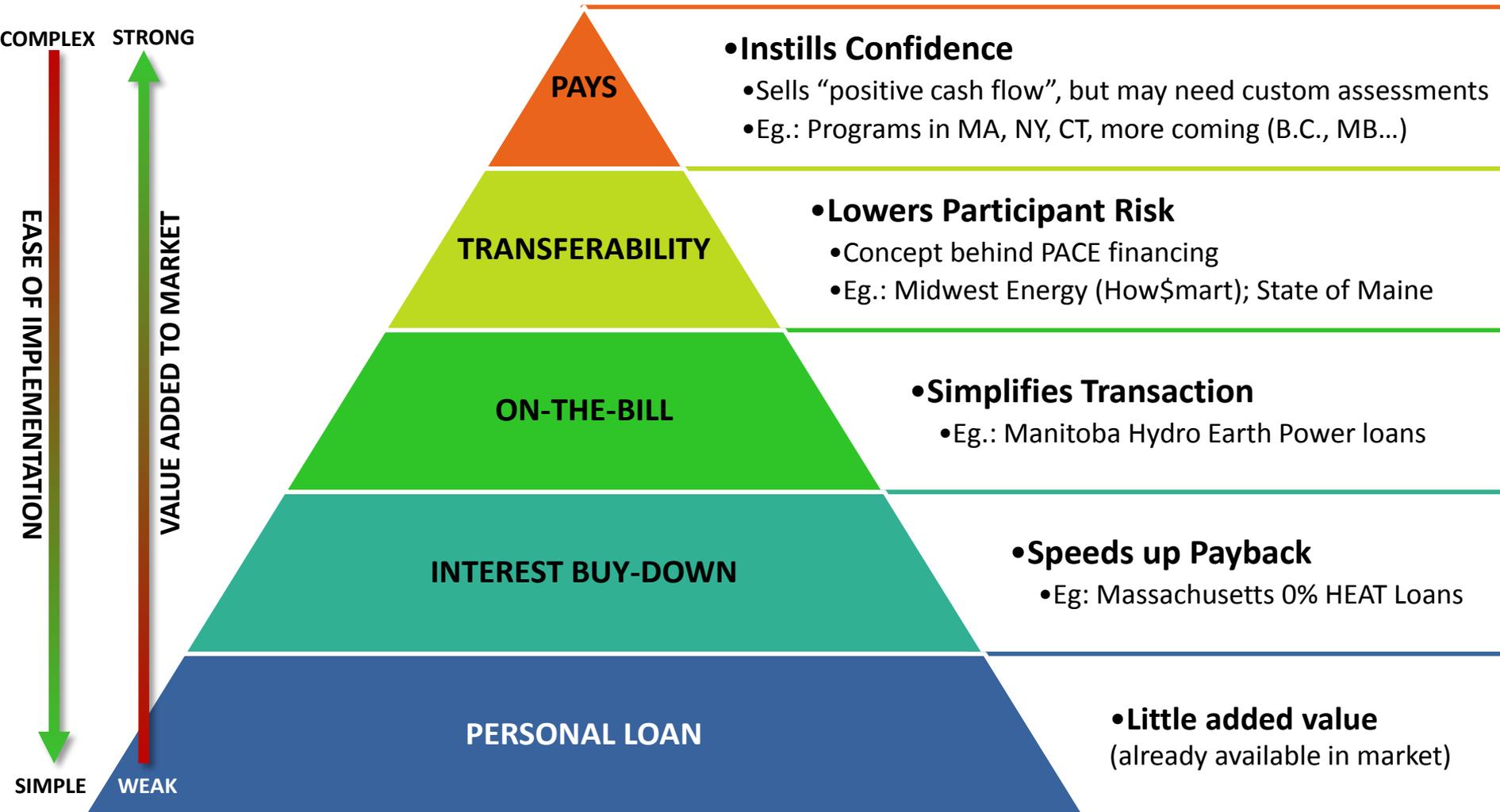
Program financing rates compared to posted fixed-rate 10 year mortgage rates in corresponding jurisdictions (2013)



US posted 10 yr fixed rate : 3.37% - 3.87%
 Canada posted INGdirect 10 yr fixed rate : 3.19%

TASK 4: LESSONS LEARNED

Overcoming market barriers





STEP 2: FINANCING OPPORTUNITES ANALYSIS

Task 5: Best Financing Options for RI

Task 6: Benefits and Costs of Financing

Task 7: Expanded Use of Financing

Task 8: Wider Financing Opportunities

STEP 2: OPPORTUNITIES ANALYSIS



- Task 5: What Financing Programs and Tools are Right for Rhode Island?
 - ▶ RI financing environment: what makes it unique?
 - ▶ What is the size of the need/demand in each RI market segment?
 - ▶ What goals does RI wish to achieve with financing?
- *Does RI want to do EE more cheaply, or do more and deeper EE*

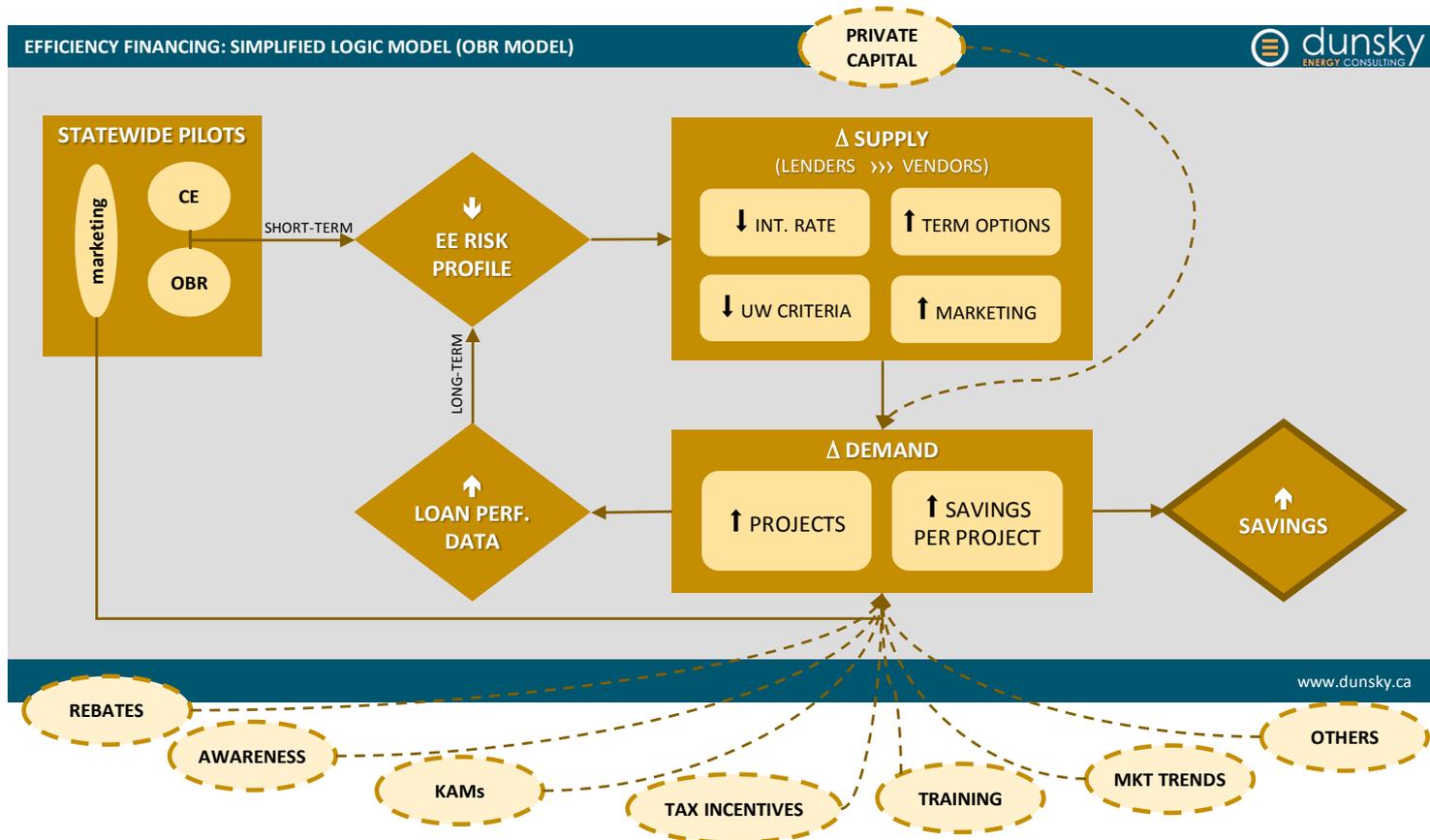


STEP 2: OPPORTUNITIES ANALYSIS

Costs and benefits of EE financing



- Cost effectiveness testing: NEBs, GHG Reduction, Avoided Costs, Demand Reduction



STEP 2: OPPORTUNITIES ANALYSIS



■ Task 7: Expanded Use of Financing

- ▶ How well do existing programs cover the market
- ▶ Identify gaps and propose IF solutions to fill those gaps
- ▶ Expand, drop, or add new programs

■ Task 8: Wider Financing Opportunities

- ▶ Actors, existing and new (i.e. Green Bank)
- ▶ Standardization, regional cooperation, etc.
- ▶ Market transformation impacts

QUESTIONS?

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