Briefing Paper
Portland Clean Energy Fund Pilot

May 6, 2009

Summary

The City of Portland and Multnomah County are taking the lead on a pilot program to provide homeowners access to low-interest, long-term financing for quick, easy and affordable investments in energy efficiency. Energy Trust will oversee up to 500 home assessments and coordinate installation of measures by qualified trade allies. Shorebank Enterprise Cascadia, a nonprofit financial institution, will pay contractors through a revolving fund seeded with City funds from the Recovery Act of 2009. Participants will repay the loans on PGE, Pacific Power and NW Natural bills.

No Board action is required.

Background

- The City of Portland and Multnomah County recognize that residential and commercial buildings together account for 44% of carbon emissions in the Portland region. They have committed to reduce carbon emissions as part of the regional Climate Action Plan.
- Together the city and county also share goals of creating quality, career green jobs; enabling Portlanders to save energy without upfront costs; and helping keep housing affordable in the long run.
- Energy Trust, the city and county would like greater uptake of energy efficiency improvements by homeowners. Testing indicates several barriers to greater uptake: lack of readily available financing, high up-front costs and homeowner confusion over what steps to take and how.
- The City of Portland's Bureau of Planning & Sustainability and the Portland Development Commission have created a financial model for a Clean Energy Fund. At the outset, this revolving fund would be seeded with eligible portions of the city's energy block grants through the American Recovery and Reinvestment Tax Act of 2009. The city is negotiating with the nonprofit Shorebank Enterprise Cascadia to manage the fund.
- With Energy Trust, the city has outlined plans for a 500-home pilot to provide up-front financing through the Clean Energy Fund, customer-focused support for homeowners throughout Energy Trust home assessment and upgrade process, and payback on utility bills.
- Upon invitation from the city, all three local utilities – Portland General Electric, Pacific Power and NW Natural – have expressed a desire to participate in the pilot.
- Portland Mayor Sam Adams touted the Clean Energy Fund and pilot in his first 100 days plan and highlighted it in his State of the City speech in February. The pilot is included in the City/County draft 2009 Climate Action Plan unveiled April 17.
- A bill in the Oregon Legislature, HB 2626, the Energy Efficiency and Sustainable Technology Act, is designed to enable a similar effort throughout the state.

Discussion

- Energy efficiency measures are by far the most cost-effective ways to reduce carbon emissions ("Reducing Greenhouse Gas Emissions: How Much at What Cost?" McKinsey & Co. and The Conference Board, 2007). However, building and homeowners are hesitant to invest in energy efficiency because of up-front costs, fragmented contractor interactions and other obstacles. The Portland pilot will test creative approaches to overcoming these barriers.
- A handful of cities, including Berkeley, CA, Cambridge, MA, and Babylon, NY, have recently launched energy efficiency retrofit programs that offer unique approaches to financing and service delivery. Berkeley's 40-home solar pilot was fully subscribed in nine minutes.
- In general, financing terms for the pilot will be at or below market interest rates with longer than typical amortization periods (e.g., up to 20 years). The program is being designed to offer equitable access among a variety of income levels and credit qualities.
- Energy Trust incentives for eligible improvements will be used first to cover front-end customer service costs, and then to buy down the loan principal.
- Pilot participants will be recruited from several sources, including customer lists maintained by Energy Trust, Portland General Electric, Pacific Power, and NW Natural. The pilot will include a mix of gas- and electric-heated homes, focus on detached single-family, owner-occupied homes built before 1993, and likely include a limited number of rentals and small multi-family properties.
- The pilot will focus on key weatherization efforts like insulation, air sealing and duct sealing, space heat options (furnaces and heat pumps) and possibly hot water measures. The long-term aim is to include more measures – from insulation to space heat to windows to solar photovoltaics.
- Customer participation:
  - Prescreened homeowners who have previously shown interest but have not made efficiency improvements will be invited to apply
  - Homeowners will be scheduled for a home energy assessment by a certified Building Performance Institute contractor from a contractor pool of qualified and specialized Energy Trust trade allies
  -
  - Energy Trust will assign an "Energy Advocate" to assist the homeowner during the assessment, explain recommended measures and financing options, and help the homeowner through installation
  -
  - Homeowners pay nothing up front. Repayment is via their utility bill.
  -
  - For basic weatherization measures, homeowners should experience little to no increase in their utility bills if their energy usage behavior stays generally the same.

Next Steps

- Complete pilot design.
- Prepare for possible national media event linking the pilot to federal recovery act clean energy efforts.

- Begin outreach to potential pilot participants in May, conduct the first home energy assessments and begin retrofits in June, and provide the first utility bills with efficiency payments in July/August.
- Complete up to 500 homes in the Portland pilot by early 2010.