Briefing Paper
Home Star Program

June 11-12, 2010

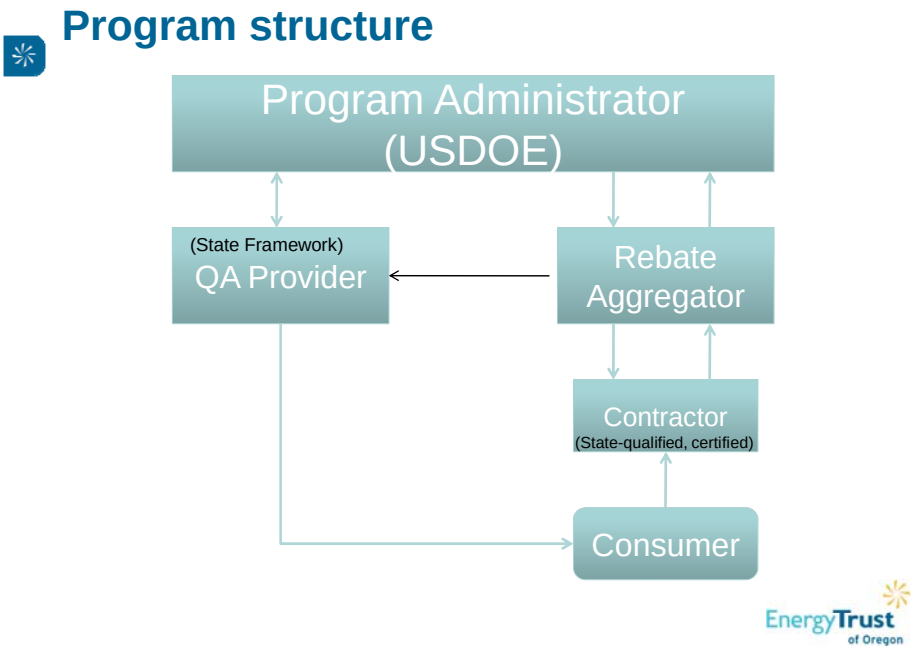
Summary

- Congress is expected to enact legislation creating a program called Home Star, which would provide federal rebates for energy efficient home retrofits.
- A law isn't expected to pass before mid-July. Currently, there are two different bills: one that the House has passed, and one that the Senate bill is considering. Appropriations will be required after a law is enacted. The bills have very short implementation timelines, so things could happen quickly after Congress acts.
- The question is whether the board is comfortable with staff exploring a significant Energy Trust role in implementing the program in Oregon.
- This opportunity will be raised by Oregon Department of Energy Executive Director, Bob Repine, during his remarks on June 11, and discussed further on June 12.

Background

- The Home Star program is a proposed jobs/energy program analogous to the "Cash for Clunkers" program for cars. It would provide rebates to homeowners when they agree to buy certain energy efficiency improvements.
- The law would authorize about $5.5 billion in consumer rebates for individual measures (the "Silver Star" program), and for whole-home improvements (the "Gold Star" program). Another $600 million would cover state administration and quality assurance.
- The Silver Star program would be authorized for one year, and the Gold Star program for two years. The current Senate bill would allow tax credits for whole-home retrofits that meet certain standards, through 2013.
- There are plans to continue funding beyond these timelines, but no assurance.
- At the time of this writing, the mechanics would be:
    - Single family homeowners receive rebates at the time energy efficiency measures are purchased from a retail store or installed by a qualified installation contractor. Rebates to homeowners take the form of reduced materials pricing for do-it-yourselfers or a project cost reduction for measures installed by qualified contractors.
    - Retailers and contractors would apply to the US Department of Energy (USDOE) for rebates via "rebate aggregators" chosen by USDOE. Aggregators would make sure applications are complete, forward applications with appropriate data to USDOE, and distribute funds to retailers or contractors when they are received from USDOE. Aggregators may be state programs, utility programs, retailers, federal power marketing agencies, or others.
    - Rebates would be available for efficiency improvements in electric, gas, propane, wood or oil consumption.

- A random selection of rebate projects would be field-checked by "quality assurance providers" (QA providers) to ensure contractor work is well done. QA providers would be chosen and overseen by states, likely through state energy offices like the Oregon Department of Energy (ODOE). Rebates would not be delayed by QA.
- Rebate aggregators and QA providers would be paid on a piece-work basis (e.g., $25 per rebate, $150 per QA inspection, for Silver Star).



- The bills would authorize a loan program along the lines of Clean Energy Works Portland, to be administered by the states.
- The bills authorize program savings to be credited against utility savings targets established by public utility commissions.

Discussion

1. Should Energy Trust be involved in Home Star implementation at all?
   - Pros:
     - If Energy Trust were an aggregator, it could leverage the federal program, using Home Star rebates for eligible measures and Energy Trust incentives for Home Star-ineligible measures. For example, an estimated $1,200 in Energy Trust incentives would be displaced by rebates for each whole-home Home Star package, freeing $1,200 in incentives for other projects or to deploy additional outreach resources to facilitate more projects.
     - Because Home Star rebates are richer than Energy Trust incentives, we would expect to reach more homes and measures than otherwise. For example, we could use federal funds for measures we do not currently support, like single-family 90+%

efficient gas furnaces, or services for propane, wood and oil heated homes.

- Overall, the prospect is broader, deeper penetration and increased energy savings. The program would hope for 15-30% increased activity while the rebates last.
- Considering only the cost of processing rebates and QA service, with no incremental delivery or administrative costs, we may be able to more than cover our costs with the fees paid by USDOE.

o Cons:

- There would be accounting and reporting obligations. The bills don't specify these, but at a minimum, we would need to set up different program accounts in the financial and FastTrack systems to segregate this work. Energy Trust staff and PMCs would likely need to track their time separately, particularly for oil, wood and propane-fueled homes if these were included. What more accounting and reporting obligations would be required is unclear.

2. Should Energy Trust provide services for fuels other than electricity and gas?

o Pros:

- Handling rebates relating to oil, wood and propane customers could significantly help us to reach rural energy users and others who have few efficiency program options.
- Serving other fuel types could lead to more electric and gas savings.

o Cons:

- We may need to justify to utilities and the OPUC use of electric and gas funds to reduce consumption of more than just electricity and gas. It is possible, however, that after federal reimbursement there would be no net charge to electric or gas funds.

3. Should Energy Trust act as a QA provider?

a. Pros:

- Energy Trust has a network of QA contractors and QA standards; whether or not Energy Trust is a "QA provider," carrying this infrastructure into Home Star would help implement Home Star and minimize complications with Energy Trust programs.
- If Energy Trust were a QA provider, it would be paid for QA activities that are already being conducted. Compensation for oil, wood, or propane projects could also mitigate concerns about using electric and gas funds for Home Star.

b. Cons:

- Yet more administrative, accounting and reporting obligations.

4. Should Energy Trust pay incentives to retailers or contractors before receiving reimbursement from USDOE?

a. Pros:

- Other aggregators, e.g., Home Depot, allow contractors to make purchases with no payment for 30-60 days. If competition among regional rebate aggregators is intense, Energy Trust programs may be more attractive if they offer up-front contractor reimbursement.

b. Cons:

- An estimated $85,000/year in interest expense from funds borrowed for advance rebate payments while rebates are processed (assuming it takes 60-90 days).
- Risk that advanced rebates are not reimbursed because of contractor non-compliance, problems at USDOE, etc. If we advanced $250,000 - $450,000 per week (based on today's incentive application volume), and were never reimbursed for 5% of those sums, the exposure would be about $210,000.
- Additional accounting and administrative costs associated with keeping track of advances and reimbursement.
- If Home Depot can provide financing for free without increasing other costs, is it prudent to use ratepayer funds to compete?

5. Should Energy Trust provide these services beyond existing service territories?

- BPA has said it will serve as rebate aggregator for consumer-owned utility territories, in which case going beyond existing territories may be moot.

Next Steps

- If the board is amenable, staff will pursue these options, reserving judgment about whether to offer up-front rebate compensation to contractors, and probably not going beyond existing service territories.
- As the Home Star program develops, staff will keep the board apprised.