

Sonoma County Efficiency Financing Program

Amy Bolten

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SCEF Program and Genesis

The SCEF Program is a tool to finance and guarantee significant reductions in electricity, gas and water utility costs for governments and non-profits in Sonoma County.

Why it needs to exist:

- Traditional Energy Service Company (ESCO) contracts do not have strong guarantees and do not encourage deep retrofits;
- The cost of private market financing is higher than bond financing;
- Most organizations do not have the combination of skills needed to critically review ESCO proposals, including energy and water engineers, lawyers, and bond counsel.

SCEF Program Potential

Redefine the role of ESCOs to provide retrofit construction services while doing something new:

- Use bond financing to lower the cost
- Guarantee the financial savings rather than just the energy performance
- Use a contract with strong measurement and verification criteria and transparent construction provisions
- Allow participants to compare proposals across ESCOs
- Promote comprehensive retrofits that address many energy and water opportunities

MANY SEUs ONLY ONE SEU BOND...SO FAR



<http://www.encyvermont.com>



<http://dcseu.com/index.aspx>



<http://www.greatercea.org>



Your sustainable energy resource

<http://www.energizedelaware.org>



<http://www.cleanenergyfinancecenter.org/>



**coalition for
green capital**

<http://www.coalitionforgreencapital.com/>



<http://www.bostoncommunitycapital.org/>



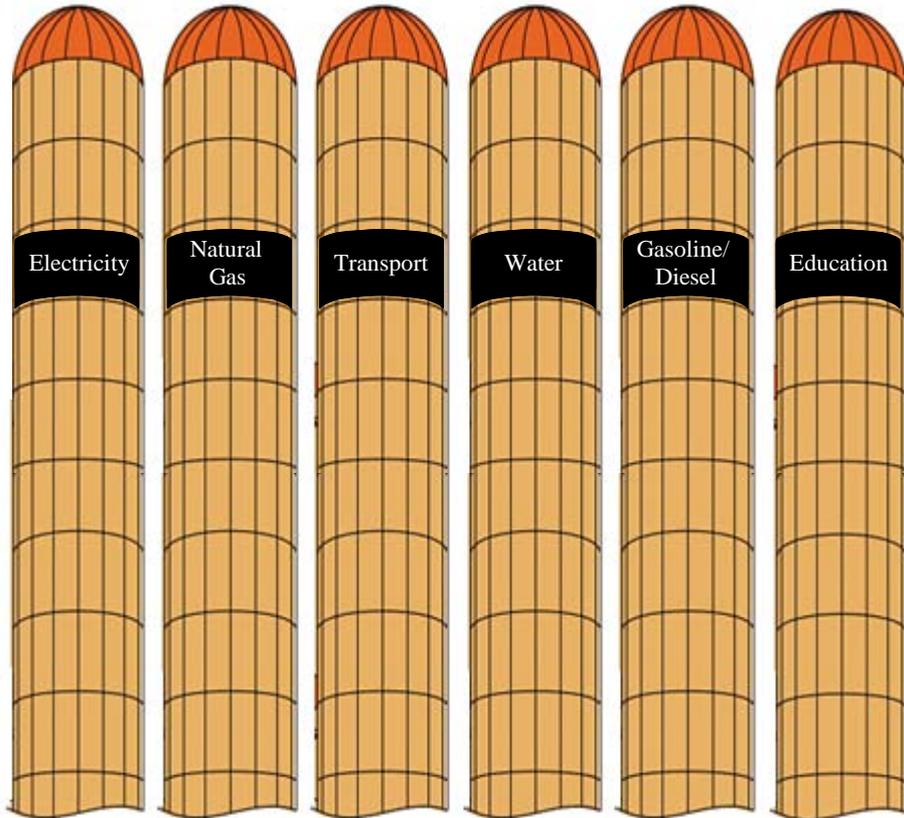
**CONNECTICUT
CLEAN ENERGY FUND**

<http://www.ctcleanenergy.com/>

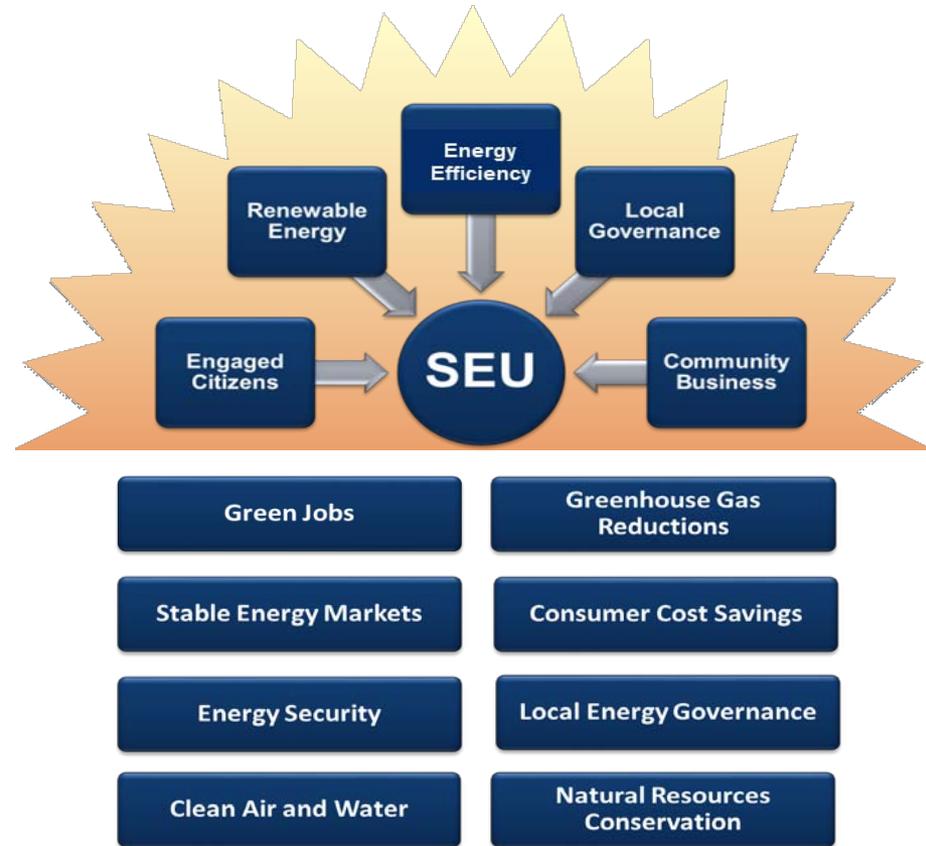
*International applications of the model have been discussed in a special issue of **The Bulletin of Science, Technology and Society**: <http://bst.sagepub.com/content/29/2.toc>*

SHIFTING THE ENERGY PARADIGM: THE SUSTAINABLE ENERGY UTILITY MODEL

Old Model



New Model



SNAPSHOT OF THE DELAWARE SEU ENERGY EFFICIENCY BOND SERIES

TRANSACTION: TAX-EXEMPT BOND SOLD ON AUGUST 1, 2011 AA+ by S&P
PAR VALUE = \$67.45 MILLION WITH PREMIUMS = \$72.55 MILLION
SERIAL BONDS: maturities from 1 year (borrowing rate = 0.65%) to 20 years (rate = 4.37%)
EFFECTIVE BORROWING RATE = 3.67%
AVERAGE SIMPLE PAYBACK PERIOD: ~ 14 yrs

SIX STATE PARTICIPANTS	BOND PROCEEDS (incl. Premium)
Department of Children, Youth and Their Families	\$ 1.667 million
Department of Correction	\$39.699 million
Department of Natural Resources and Environmental Control & Carvel State Office Building	\$ 6.205 million
Legislative Hall, State of Delaware	\$ 5.199 million
State Courthouse	\$ 1.012 million

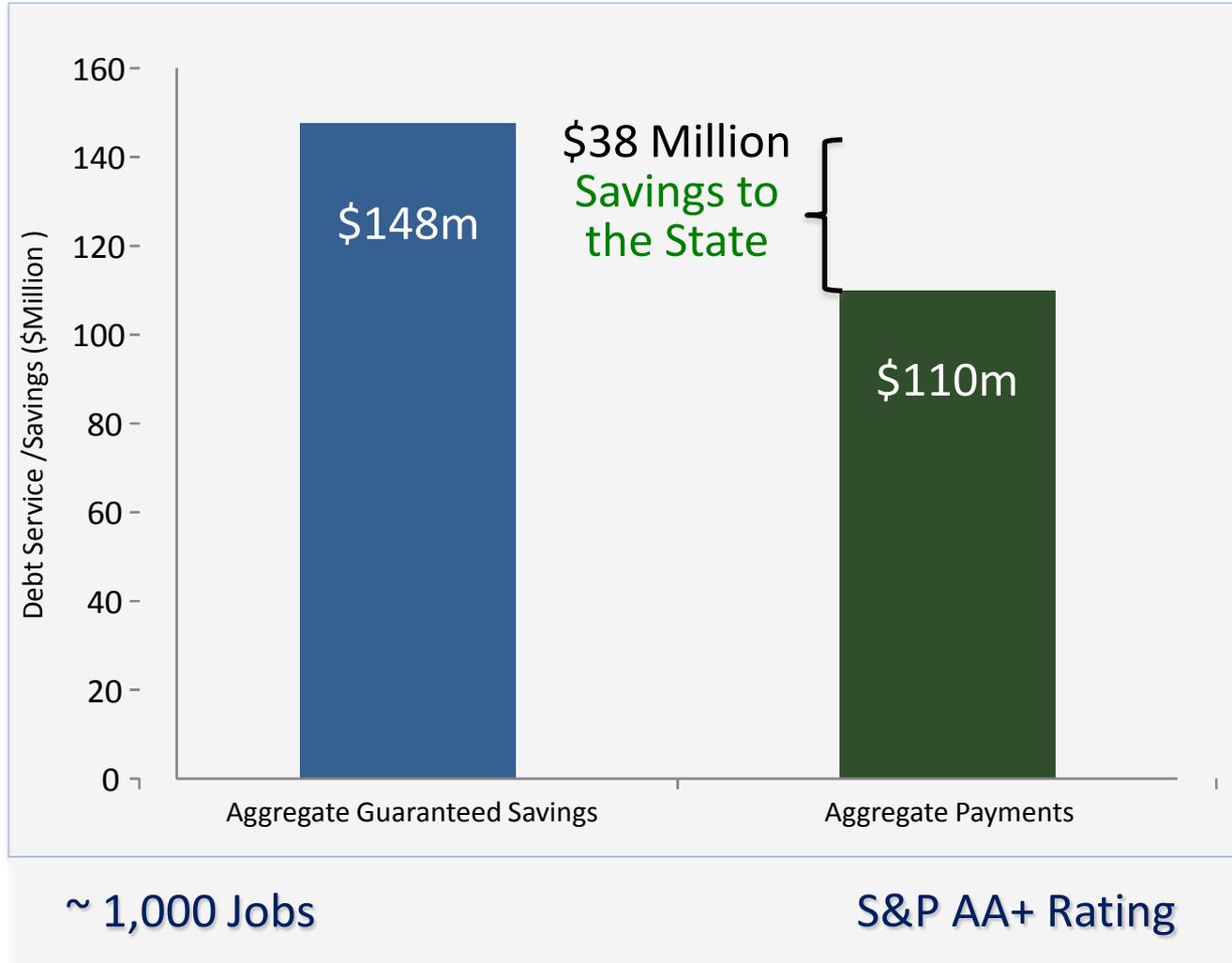
TWO HIGHER EDUCATION INSTITUTIONS	
Delaware State University	\$12.108 million
Delaware Technical and Community College (3 campuses)	\$ 6.661 million

SIX ESCOs : Ameresco, Honeywell, Johnson Controls, Noresco, Pepco Energy Services, Trane

MAJOR BUYERS: Definitive Capital, Lord Abbott, First New York Securities, Merrill Lynch

SCALING UP NEGAWATT INVESTMENTS

The Delaware SEU Bond – Market Transformation





Foundation for
Renewable Energy & Environment

<http://freefutures.org>

<http://freefutures.org/seu-initiative/free-sustainable-energy-financing-advisory-service>

Dr. John Byrne

jb@freefutures.org

How to Participate

1. Sign a non-binding Letter of Interest and begin discussions with the SCWA-FREE Team to identify your goals and concerns.

Your LOI will be shared with the SCEF Program's pre-qualified ESCO list.

2. Attend the Education Day organized by SCWA and FREE.

You will get an opportunity to meet ESCO representatives on Education Day. The SCWA-FREE Team will review in detail how the financing works.

3. Provide the ESCO(s) with access to your site, facilities staff and energy and water bills

We are working with PG&E to help make access to electric bills from multiple sites a simple process.

4. Select a single ESCO to perform a pre-contract audit and present an initial proposal

Total dollar savings provided in the pre-contract audit must equal at least 90% of the value of the ESCO's eventual Investment Grade Audit.

How to Participate

5. Move forward with an investment grade audit or opt out. If you move forward, the ESCO will conduct a 2nd, detailed audit and present its dollar savings guarantee.

6. Sign the Guaranteed Savings Agreement which spells out how the guarantee works and how savings are monitored and verified.

7. Retrofit work is completed by the ESCO, and all equipment is regularly checked to ensure performance specifications are met.

8. Your financial savings are verified over a minimum period of time needed to pay off all retrofit costs

The investment grade audit is used by the ESCO to establish its dollar savings guarantee to you. If you then opt out, you will need to pay part of the cost of the IGA.

The SCWA-FREE Team will provide comparative metrics so that you can compare your guarantee to ones provided to other Participants. This creates a competitive process in your favor!

You sign off on payments after you are provided functional testing and commissioning documentation.

The verification of savings is extremely important, and you will receive regular reports from ESCOs documenting them.

Financial Performance

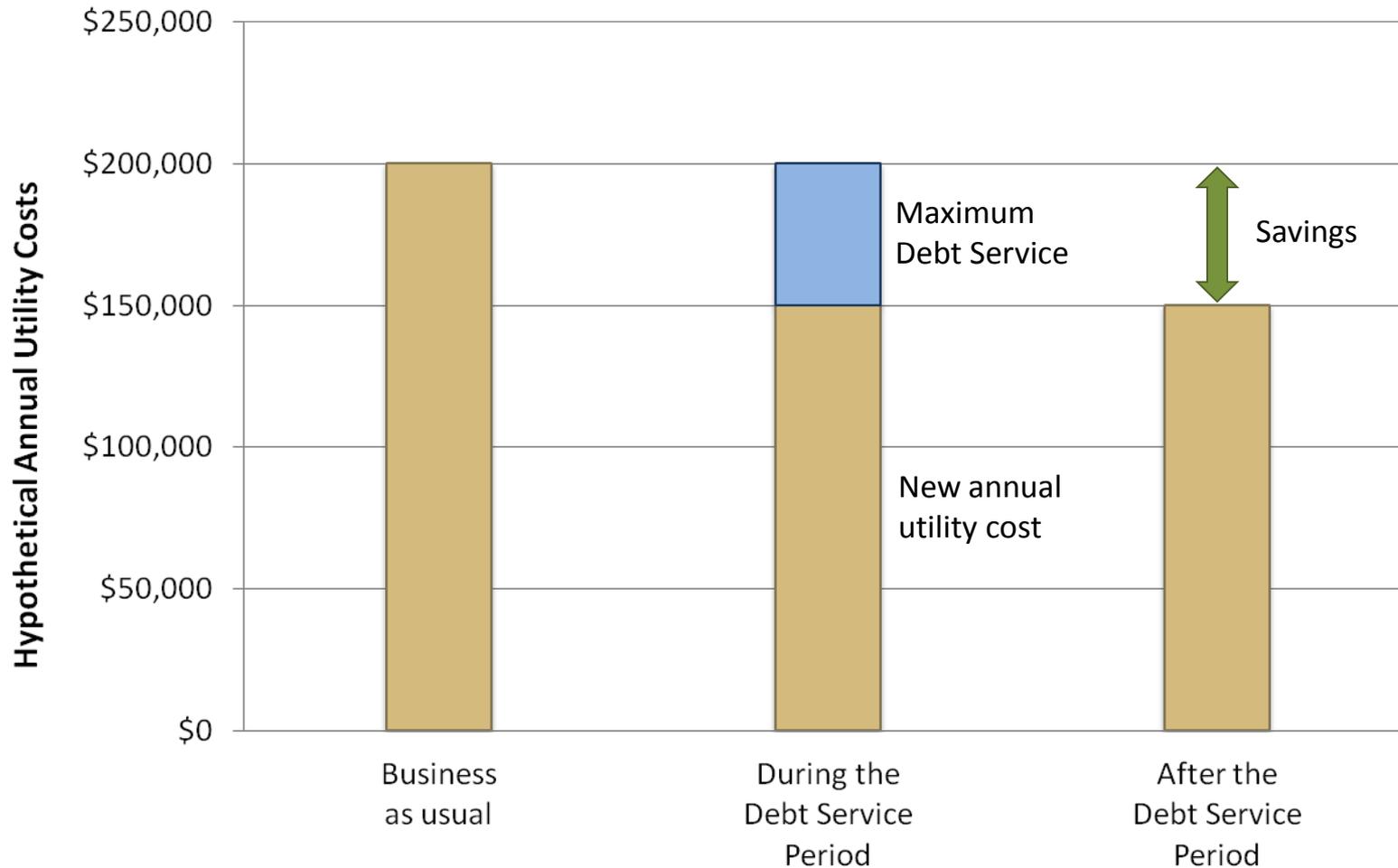
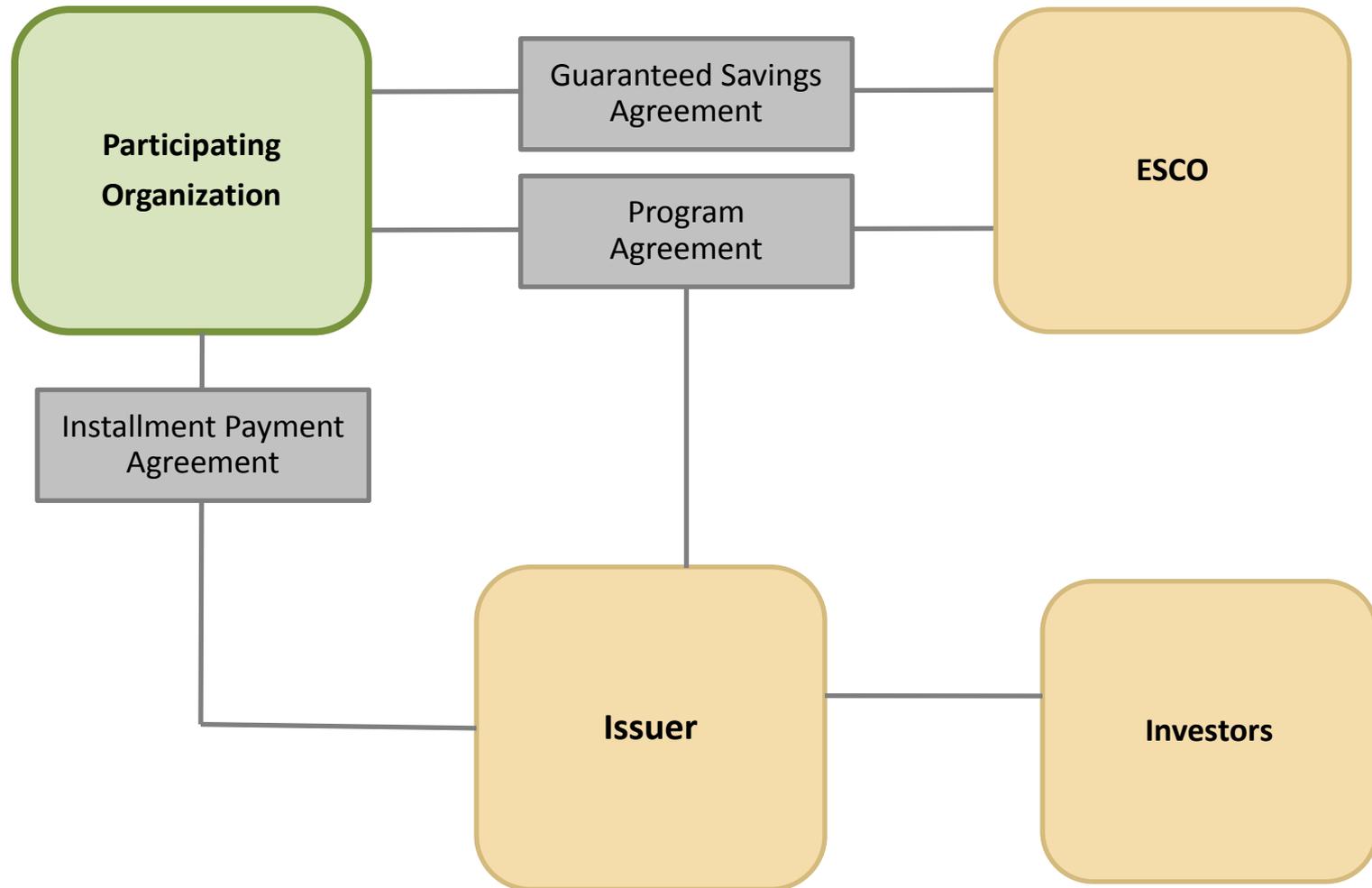


Illustration of Efficiency Financing*



*Different forms of financing are under consideration.



- Jennie Bruneman
Director of Maintenance and Operations

Energy Improvements that = Operational Benefits

With this program there is minimum set of guarantees with saving on utilities. Those funds are used to pay back the loan and reduce Operating Expenses.

Other Operating Budget Considerations

- Reduced expenditures for materials
- Reduce expenditures for outside vendors making repairs
- Maintenance/Custodial staff can focus on other areas of school that need attention
- Free up staff to address preventative maintenance
- Stop routine call outs

Financing Details

- Participants have no out-of-pocket expenses and all projects costs are fully paid for through the savings guarantee.
- The financing is tax-exempt.
- Interest rate on loan is likely to range from 1.5% - 4%, depending on credit rating, and the length of time it takes to pay for retrofits through utility bill savings.

Financing Details

A few more details about financing:

- Financing is customized for each participating organization and each measure separately. No organization and no measure subsidizes any other.
- Because participants are sharing the cost of documenting the financing, the overall interest rate including transaction costs, should always be lower than what the participant can achieve in the marketplace.
- Only Projects that fully pay for themselves out of savings will be funded in the Program.

ESCOs under Review

We are reviewing the following ESCOs to determine if they qualify for this program:

- Ameresco
- Carrier / Noresco
- Chevron Energy Solutions
- Constellation Energy
- Honeywell Building Solutions
- Johnson Controls
- OpTerra Energy Group
- Pepco Energy Services
- Siemens Building Tech.
- Syserco
- Trane / Seiberlich
- Resource Solutions Group

If you think we're missing an important ESCO, let us know.

SEED Program (Solar)

The Sustainable Energy and Economic Development Fund (SEED Fund) is utilizing grant funding to help public agencies overcome the initial hurdles to adopting solar. The goal of the SEED Fund is to realize 10-12% in total project costs savings through collaborative purchasing by public agencies in Napa, Marin and Sonoma counties.

- Workshop 1 (August 9) will focus on solar economics and financing
- Workshop 2 (August 23) will focus on the technical details of solar installation

If you are interested in starting the assessment process or to learn more, please contact Kif Scheuer at 415-507-1433 or kif@seiinc.org.

NOTE: SEED can be a useful method of supporting solar project finance. It has the advantage of allowing federal tax credits to be captured by a for-profit project developer while lowering overall cost to public agencies.

Questions and Discussion

Dr. John Byrne, Geof Syphers
Jennie Bruneman and Amy Bolten