

STATEMENT OF PROJECT OBJECTIVES

Wisconsin Energy Conservation Corporation
Wisconsin Regional Retrofit Initiative

A. PROJECT OBJECTIVES

The Wisconsin Energy Efficiency (WE²) Project is a regional Wisconsin building energy efficiency effort that will launch in the cities of Madison, Milwaukee, and Racine (Partner Cities). Building on previous State and Partner City efforts, WE² will offer residential and non-residential property owners in the Cities access to a suite of turnkey energy efficiency services on affordable terms. These energy-saving retrofits will be primarily financed through the Property Assessed Clean Energy (PACE) financing model. Retrofit work will be performed by qualified contractors. The project will deliberately work towards career paths to well-paid work for community residents and labor engagement under a Community Workforce Agreement (CWA). WE² is an innovative program aimed at transforming energy efficiency retrofit markets and building sustainable demand for green jobs, with the potential for replication in other communities. The Partner Cities are pursuing this grant to overcome initial market barriers and achieve the economies of scale necessary for sustainable market transformation.

The overall objectives of the WE² Project are to substantially increase energy savings, create jobs, and reduce carbon emissions by:

- Transforming existing comprehensive energy efficiency building retrofit markets;
- Demonstrating a sustainable funding framework linking statewide and local community energy efficiency efforts to achieve economies of scale and to serve as a “super-aggregator” to sell aggregated energy efficiency savings into emerging carbon allowance and other energy markets;
- Creating a replicable program model; and,
- Establishing a sector-based workforce strategy to link industry training with public/private job creation seeded by the American Reinvestment and Recovery Act (ARRA) and continued by PACE/local efficiency financing efforts.

The proposed project plan is designed to successfully achieve the project objectives by:

- Implementing geographically targeted programs adequate to overcome existing market barriers in comprehensive retrofit markets in a sustainable manner;
- Partner Cities acting as prominent energy efficiency leaders to promote increased recognition of the multiple benefits of energy efficiency and increase participation;
- Demonstrating the value of effective public-private partnerships at a regional level to create sustainable energy efficiency and the ability to use those savings to fund future efforts;
- Leveraging the PACE model for residential and non-residential retrofits to overcome first cost barriers; and
- Deliberately widening opportunities for the under and un-employed, and leveraging local initiatives and workforce development programs, such as the MultiCraft Core Curriculum (MC3) to offer green jobs and sustainable career pathways.

B. PROJECT SCOPE

The WE² Project objectives and goals are fully consistent with the goals of the Energy Efficiency and Conservation Block Grant (EECBG) Funding Opportunity Announcement (FOA) for Topic 1 proposals. The WE² Project will offer two programs to achieve these goals: (1) a residential Comprehensive Energy Efficiency Home Retrofit program; and (2) a non-residential Energy Efficiency Retrofit program for multi-family, commercial, industrial, and public building sectors, which will comply with all ARRA and FOA requirements beyond the grant period. In addition, the WE² Project will pursue the development of a framework for a “super-aggregator” model that would form the basis for broader replication and sustainability.

The project will utilize a variety of methods to reach out and market to the two previously mentioned programs. In addition, the various partners and stakeholders will offer experience in and or around the various initiatives that will provide a solid foundation of experience in the various areas of marketing and outreach, program development, financing strategies, workforce development, and other areas of the program.

C. TASKS TO BE PERFORMED

The following tasks will describe the sectors to be served, our outreach strategies, service delivery strategies, and financing mechanisms.

Task 1.0 Program Sectors

WE²'s program will focus its efforts on the Residential and Non-residential markets. This division of focus will allow the team to successfully reach the desired impact. The sector-specific approach allows the Wisconsin capability to address all the necessary elements for a successful program— administration, program design, marketing and outreach, financing, measurement and verification, and workforce development—and is the key strength in meeting this criterion.

Subtask 1.1 Residential

The WE² Comprehensive Energy Efficiency Retrofit Program builds on a successful pilot initiated by the City of Milwaukee in partnership with Focus on Energy—Wisconsin's statewide energy efficiency and renewable energy program. Building on this experience, the WE² Project will offer citywide eligibility (subject to underwriting criteria) in the Partner Cities of Milwaukee and Madison, but will also participate in targeted marketing activities in specifically selected neighborhoods in using the requested grant funds of \$10 million. The objective will be to achieve at least 9,000 deep impact retrofits (4,500 per city) over the three year grant period.

Utilizing the social networking opportunities that a geographically targeted community effort affords, the project will partner with Focus on Energy and other stakeholders to enhance the current Focus on Energy comprehensive whole house retrofit program based on supportive service delivery approaches combined with the ability to finance identified, cost effective energy efficiency improvements through the PACE model. The approach is designed to sustain increased deep impact retrofits after the grant period. An additional 6,000 deep impact retrofits (3,000 in each city) are estimated to occur over the three years following the grant period. The use of these innovative strategies can significantly increase the capture of energy efficiency savings to reduce customer energy bills, reduce carbon emissions, and create jobs.

The WE² Residential Project Plan will utilize loan loss reserve funds which were increased from 2% to 5% for both Madison and Milwaukee's PACE financing mechanism. This change increases the residential loan loss reserve budget item over what was originally proposed.

Subtask 1.2 Non-Residential

The WE² Non-Residential Project is the area that recognizes the largest program and budget changes due to two key components – Department of Energy (DOE) program guidance and recent passage of Commercial PACE legislation in Wisconsin.

WE² is extremely excited to have a Commercial PACE option now available, as it is a truly innovative financing model for the non-residential market and is fully consistent with the goals of the FOA for Topic 1 proposals. Additionally, having WE² offer both a residential and non-residential PACE program lends additional support to WE² efforts to pursue the development of a framework for the “super-aggregator” model mentioned earlier, that would form the basis for broader replication and sustainability as well as help contribute to the secondary market via loan standardization and consist energy efficiency measurement and verification, which ultimately helps reduce risk and improve the overall free market value.

Similar to the residential project, the WE² non-residential Energy Efficiency Retrofit Program will partner with Focus on Energy to offer citywide eligibility (subject to underwriting criteria) in the Partner Cities of Milwaukee, Madison, and Racine. The objective will be to achieve deep impact retrofits in 485 buildings over the three year grant period and an additional 645 deep impact retrofits over the three years following the grant period. The WE² Non-Residential Project Plan will utilize loan loss reserve funds of 8% for all three city's non-residential PACE financing mechanism.

Task 2.0 Financing Strategies

The WE² Project is designed to overcome customer barriers to undertaking deep impact home retrofits and allow the capture of economies of scale in program delivery. Experience has indicated that the number one barrier noted by customers—both residential and non-residential—to undertaking a comprehensive energy retrofit is the cost of the investment and the need to pay for that investment upfront. The WE² consortium has intentionally focused on PACE financing for both of these retrofit markets for a number of reasons including its ability to:

- Allow a customer to undergo an the energy efficiency retrofit process with a relatively low first-cost;
- Achieve scale by aggregating individual energy efficiency projects on either a geographic, financial, or technology basis;
- Be utilized (or replicated) in different geographic areas in Wisconsin (and perhaps the U.S.), and
- Demonstrate an innovative financing option that is either emerging and well-positioned to help accelerate the adoption of energy efficiency.

The PACE financing option also potentially benefits hard-to-reach market segments and end-user groups that currently lack creative financing structures, e.g., residential, small, medium and large commercial and industrial customers, including multi-tenant buildings. Additionally, for the Partner Cities perspective, utilization of the PACE framework and adequate loan loss reserve fund should attract private capital or revenue bonding by the cities, without using the general obligation of the cities.

Task 3.0 Workforce Development

WE² is extremely proud to incorporate a Community Workforce Agreement approach for a training curriculum that lays the foundation for a comprehensive building science approach to energy efficiency retrofit work, particularly for the residential sector. The WE² Project is committed to serious training and career pathways for workers involved in WE². This means a commitment to registered apprenticeship programs, jointly run by employers and unions that are fully funded by the private sector, not taxpayers. The WRTP/Big Step serves as a “one stop shop” for pre-apprentice training and technical assistance to connect companies and labor to community members most in need of employment. WE² will work to overcome historical barriers that have affected workers from disadvantaged communities and connect them to an explicit career pathway. WE² will rely on Big Step in Milwaukee (as well as other organizations in the Milwaukee Builds coalition) and a number of qualified organizations in the Construction Workforce Diversity Alliance in Madison. For pre-apprenticeship, the WE² Project plans to use the MultiCraft Core Curriculum (MC3) recently adopted by the member internal unions of the AFL-CIO Building and Construction Trades Department. There is initial agreement from the Local Joint Apprenticeship Committees that completion of the MC3, with the limited addition of known requirements as specified by a few trades, would qualify the graduate for admission to any apprenticeship program. The Milwaukee Area Building and Construction Trades Council and its regional affiliates have agreed to give preference in placement to such graduates from underserved communities.

Task 4.0 Project Management and Reporting *(Optional paragraph, per discussion with the DOE Project Officer)* WECC will be utilizing existing systems in addition to using some of the granted funds in an effort to enhance the reporting mechanisms.