

ME²: Affordable Energy Efficiency Services for Residential and Non-Residential Property Owners

Presentation to Milwaukee's Common Council to Accept U.S. DOE EECBG Retrofit Ramp-Up Grant

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Milwaukee
Office of Environmental
Sustainability



ME² Objectives & Strategies

- Objectives:
 - Cut energy bills for property owners and tenants
 - Stimulate jobs creation as the market for energy efficiency projects grows
 - Reduce air pollution and greenhouse gasses
 - Upgrade Milwaukee’s building stock
- Key Strategies:
 - Build on existing and successful Focus on Energy programs, including Home Performance with ENERGY STAR®
 - Use federal funds (via a loan loss reserve) to leverage private capital for consumer financing → allows consumers to afford the high upfront cost of energy efficiency improvements and “pay as they save” on their energy bills
 - Increase marketing and use Energy Advocates to educate the public and help homeowners navigate the process
 - Implement a Community Workforce Agreement to address high unemployment in the City of Milwaukee



ME² Governance

- ME² is Milwaukee's localized implementation of the U.S. DOE's Retrofit Ramp-up Program.
- ME² is fully consistent with DOE grant guidelines.
- The Wisconsin Energy Conservation Corporation (WECC) and City of Milwaukee Office of Environmental Sustainability (OES) will administer the program per a Cooperation Agreement
- Subsequent Council approval needed to approve financing and marketing strategy
- Consultation with Economic Stimulus Task Force as needed
- Other Partners: Milwaukee Common Council, Wisconsin Office of Energy Independence, Milwaukee Workforce Funding Alliance, Wisconsin Regional Training Partnership, area contractors, Emerging Business Enterprise Office, We Energies, etc.



Why WECC?

- WECC is an independent, not-for-profit organization
- WECC currently administers the Focus on Energy Program as regulated by the Public Service Commission
- WECC is a national leader in the design and implementation of award-winning energy savings programs for utilities, municipalities, and regulators across the U.S. and Canada
- WECC has an excellent track record of administering energy programs in Wisconsin, including Focus on Energy's Home Performance with ENERGY STAR Program and the State of Wisconsin's Home Energy Plus
- In just one year (July 1, 2008 – June 30, 2009), WECC's residential programs saved:
 - 310,680,423 kWh 6,641,404 therms 1,682,544,815 pounds of CO₂
- Ability to eventually go statewide
- WECC brings this expertise to Milwaukee as a ME² partner!



Why Build on Focus on Energy Model?

- Uses an existing resource and avoids need to spend program funds to recreate a delivery model
- Uses a network of building science professionals (consultants and contractors) and allows expansion of skilled delivery infrastructure through training, support, etc.
- Combustion safety incorporated
- Quality assurance from both program and independent professionals
- Allows customers to get financial incentives from the Focus program to augment value from ME² program



Retrofit Ramp-Up Grant

- Grant application submitted by WECC on behalf of Cities of Milwaukee, Madison, and Racine
- The Milwaukee, Madison, Racine award was one of 25 nationally
 - Hundreds of applications totaling \$3.5B for \$452M of available funds
- Final grant award is \$20M across all three Partner Cities (\$12M for Milwaukee)
- Leverage \$120M investment in energy efficiency (\$72m in Milwaukee)



Required & Flexible Program Elements

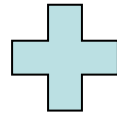
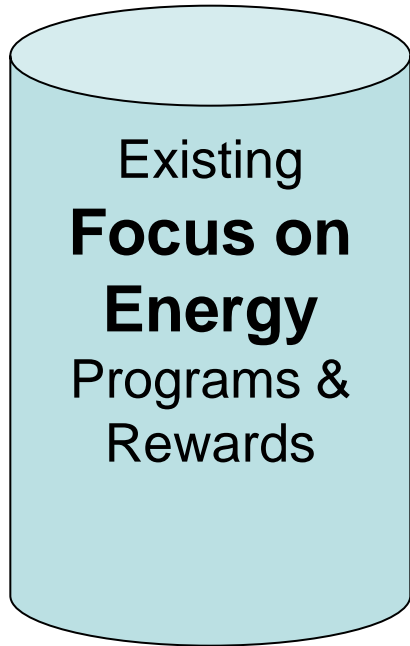
Required by grant/City goal	Flexible
Innovative financing structure for energy efficiency and associated loan loss reserve, including 5:1 leverage requirement	Type of Financing; various options are preferred by DOE; WECC and Partner Cities will be working with utilities to explore utility financing; Plan to Council in September
WECC as administrator of grant	Services that will be procured directly by WECC vs services that will be procured through partnership with cities
No City tax dollars involved in program	Approach to marketing program (seek broad participation across the City neighborhoods)
City indemnified	Approaches for capitalizing the loan fund (e.g. private equity vs City revenue bonds)
Retrofits are for existing buildings, not new construction	Community Workforce Agreement provisions
Program is for energy retrofits that provide net savings to homeowner	Cash flows of financing to homeowners (e.g. % of audit costs funded out of pocket vs. through loan options and direct subsidy)
Must strive for a sustainable program in years 4, 5, and 6	Contractual budget (e.g. some legal costs may be redirected)



Retrofit Ramp-Up & ME²

- ME² will rely on Retrofit Ramp-up dollars to fund 8 critical activities:
 - \$5.4M loan loss reserve to leverage \$70M private capital for customer financing and legal setup for financing
 - Start-up cost for innovative customer financing mechanism(s)
 - Energy Advocates to market the program, educate the public, and assist customers through the program and paperwork
 - IT software to standardize consultant reports and streamline existing process
 - Marketing and advertising
 - Contractor training, support, and quality assurance
 - Program design, implementation, and admin for City OES and WECC
 - Community Workforce Agreement administration and enforcement
- Contractual budget may be revised; some legal costs will likely be reprogrammed





Consumer financing option

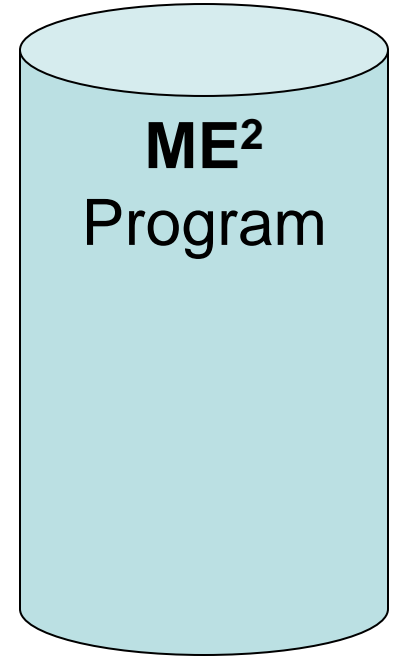
Energy Advocates for marketing
and customer support

Community Workforce
Agreement

Contractor development and
coordination with worker
training partnerships

Standardized consultant
reports to improve customer
experience

Additional community-based
advertising



The Homeowner Experience

1. Energy Advocate provides initial customer outreach, initial walk through consultation, describes program and financing options, reviews Consultant assessment*
2. Home assessment by Consultant (blower door test, infrared review, etc.)
3. Consultant provides and reviews assessment report with property owner
4. Homeowner selects from list of recommended measures; elects a contractor from an approved list; completes work
5. Final inspection and quality assurance check on contractor work with Consultant
6. Contractor is paid through consumer financing option*
7. Homeowner repays loan as they reap energy savings*

*ME² enhancements to existing program

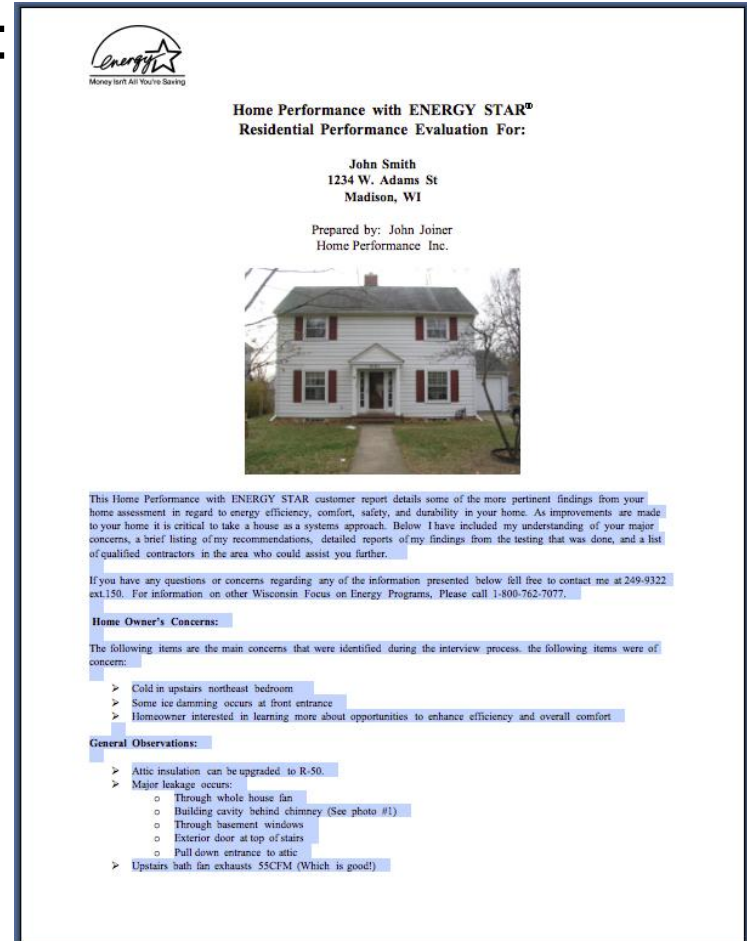



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Consultant Report

- Homeowners report includes:
 - Existing conditions
 - Test data
 - Recommended measures
 - Projected energy savings
 - List of Qualified Contractors
 - Cash-Back Rewards opportunities
- Residential measures may include air sealing, insulation, furnaces, AC, hot water heater, etc
- Commercial measures include lighting, HVAC, many others





Money left All Yours Saving

**Home Performance with ENERGY STAR®
Residential Performance Evaluation For:**

**John Smith
1234 W. Adams St
Madison, WI**

Prepared by: John Joiner
Home Performance Inc.



This Home Performance with ENERGY STAR customer report details some of the more pertinent findings from your home assessment in regard to energy efficiency, comfort, safety, and durability in your home. As improvements are made to your home it is critical to take a house as a systems approach. Below I have included my understanding of your major concerns, a brief listing of my recommendations, detailed reports of my findings from the testing that was done, and a list of qualified contractors in the area who could assist you further.

If you have any questions or concerns regarding any of the information presented below feel free to contact me at 249-9322 ext.150. For information on other Wisconsin Focus on Energy Programs, please call 1-800-762-7077.

Home Owner's Concerns:

The following items are the main concerns that were identified during the interview process, the following items were of concern:

- Cold in upstairs northeast bedroom
- Some ice damming occurs at front entrance
- Homeowner interested in learning more about opportunities to enhance efficiency and overall comfort

General Observations:

- Attic insulation can be upgraded to R-50.
- Major leakage occurs:
 - Through whole house fan
 - Building cavity behind chimney (See photo #1)
 - Through basement windows
 - Exterior door at top of stairs
 - Pull down entrance to attic
- Upstairs bath fan exhausts 55CFM (Which is good!)

Homeowner Value

- More comfortable home and long-term energy savings with limited up-front costs
- Less hassle than going through the process on your own
- Quality workmanship and real energy savings through accredited consultants and contractors using proven technologies with warranties
- Innovative financing package the links repayment with energy
- Effective underwriting criteria to mitigate risk of fraud

ME² Eligibility & Other Options

- ME² has no income requirements per se; property owners only need to meet underwriting criteria
- Focus on Energy provides Targeted Home Performance with ENERGY STAR for people with incomes 60 to 80% of the State Median Income
- Other Home Energy Options Based on Customer Income (Not administered by WECC)
 - Low income weatherization services include: insulation of attics, walls, and crawlspaces; air sealing; mechanical work
 - WHEAP services include: regular benefits; crisis assistance; emergency furnace repair
- Energy Advocates can advise homeowners of all options

ME²: Whole-House Energy Retrofit Market Transformation Elements

- Leverage private capital via loan options to finance work and limit up-front cost to homeowner
- Neighborhood-based marketing to increase customer demand (not one size fits all)
- Workforce and contractor development for supply
- Quality Assurance to ensure quality retrofits (aim to ensure customers gets the savings they are paying for)
- Coordination across various local, state, and federal programs



Sources of Local Leverage

- ME² is a financing program with property owners ultimately paying for improvements to their property
- Focus on Energy Cash-Back Rewards and incentives
- Innovative financing options (PACE, on-utility bill, etc) overcome the limits of traditional loans by allowing positive cash flow, remove concerns about moving prior to receiving the benefits of a retrofit loan and not having to use existing equity in a home
- Leverage for property loans comes from national private-equity firms, national or local banks, or City revenue bond
- Property owners have option to finance energy efficiency on their own
- \$1.2M from EECEBG formula grant (subsidy for homeowner consultants)
- No tax-levy support of grant
- **WECC will submit financing strategy at next Council cycle for subsequent Common Council approval**



Community Workforce Agreement

- Implement a CWA for trades work in ME²
 - 40% Resident Preference Program Participation
 - Davis-Bacon wages for projects
 - Workers as employees of the contractor
 - OSHA safety training
- Other Contractor requirements:
 - Must be licensed and insured
 - Waste disposal plan
 - Existing Focus on Energy requirements
 - Bonding required on non-residential projects
- City to coordinate with local worker training partnerships and outreach to EBE firms
- City review of CWA May 1, 2011 and every six months thereafter



Cooperation Agreement with WECC

- Cooperation Agreement addresses ME² as an independent subset of the larger grant with the three Partner Cities
- Milwaukee may partner with Madison and Racine, but retains control of ME² portion of grant and may act independently
- City retains grant decision making authority on major elements
- Additional Common Council resolution necessary to approve financing and marketing plan
- No City General Fund match for program and no city liability for contractor workmanship
- Effectuates Community Workforce Agreement



Roles & Relationships

- WECC primary roles
 - Grant fund administrator
 - Provide expert program design and implementation
 - Contractor assistance and CWA enforcement
 - Quality assurance
 - Employ Energy Advocates
- City primary roles
 - Local marketing with established community based organizations
 - Alignment with local priorities and programs
 - Decision approvals and oversight
 - Community Workforce Agreement
 - Approval of financing option
 - Contractor and workforce development coordination
 - Outreach to businesses



Incorporation of Council Feedback

- Comptroller and Council review of financing and marketing package
- No sole-source vendors for contractor work
- Utilize City Clerk marketing staff as practical; effective community-based marketing/outreach rather than an expensive broad marketing approach by a big firm
- Subsidize cost of customer audits
 - (for example, customer cost share of \$99, refundable upon work being completed)
- Coordination with foreclosure initiatives (NSP and Select Milwaukee grant) if possible
- Community Workforce Agreement - Review Clause
- Outreach to stakeholders

