



**SEE EA**  
SOUTHEAST ENERGY EFFICIENCY ALLIANCE

# SOURCING CAPITAL FOR INCLUSIVE FINANCING

Part 7 of the Learning Circle Series

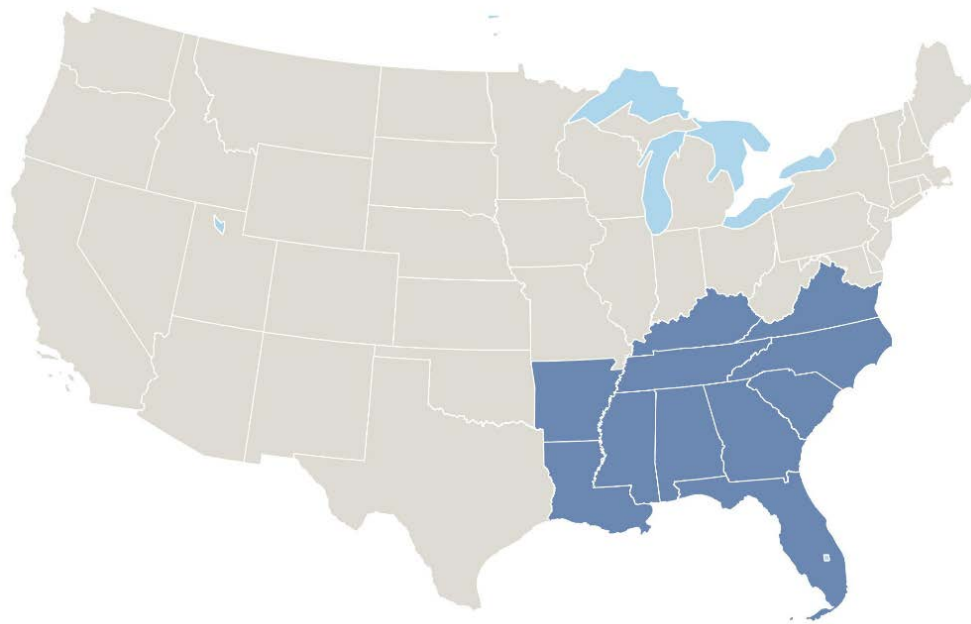
# SEEA Serves the Southeast

## Mission

The **Southeast Energy Efficiency Alliance (SEEA)** works to ensure people in the Southeast have the knowledge, resources, and opportunities to optimize energy use.

## Vision

Energy efficiency is a primary driver of a prosperous, healthy and sustainable Southeast.



## Work Areas:

**Built Environment**

**State, Local & Utility Policy**

**Energy Efficiency Finance**

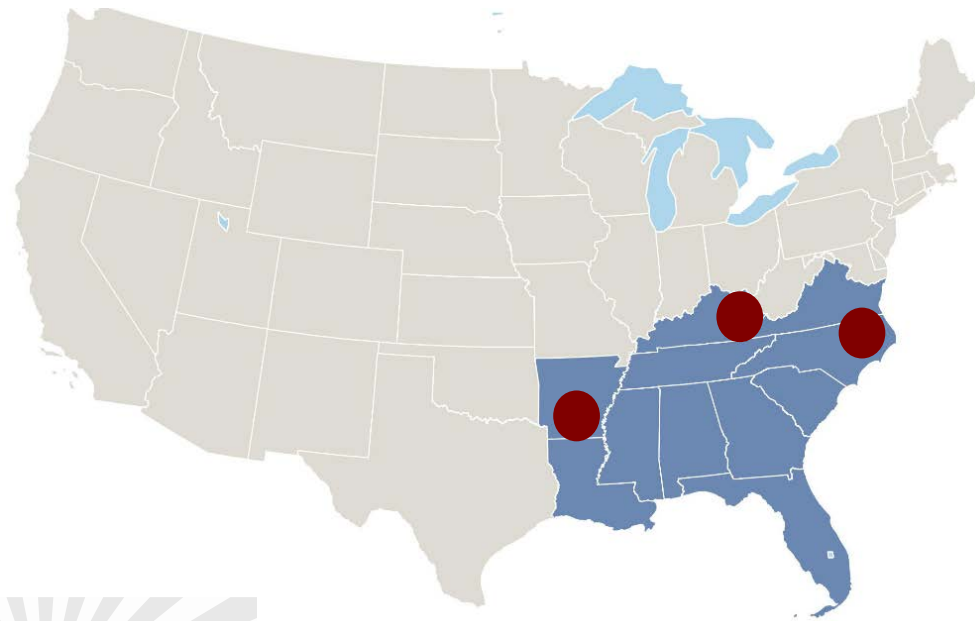


# Drawing on Experience

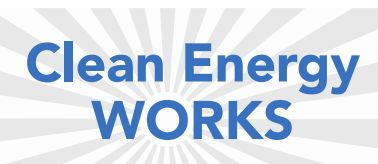
## Utilities in the Southeast have already demonstrated multiple sources:

- Community Development Finance Institution
- Federal finance facility
- Cooperative Bank

**Clean Energy Works** has helped develop the business plans to secure capital for investment through inclusive financing programs in NC and AR.



SEEA has partnered with Clean Energy Works to ensure the insights of experience are available more broadly as a source of assistance to stakeholders across the Southeast.



# Sourcing Capital for Inclusive Financing Programs

- Distinguishing between sourcing and deploying capital
- Exploring different options for sourcing capital
- Arranging third-party private sector capital

# Sourcing Capital is different than Deploying Capital

## *Example Scenario*



Roanoke Electric  
Cooperative



Upgrade to \$ave  
Using PAYS<sup>®</sup>



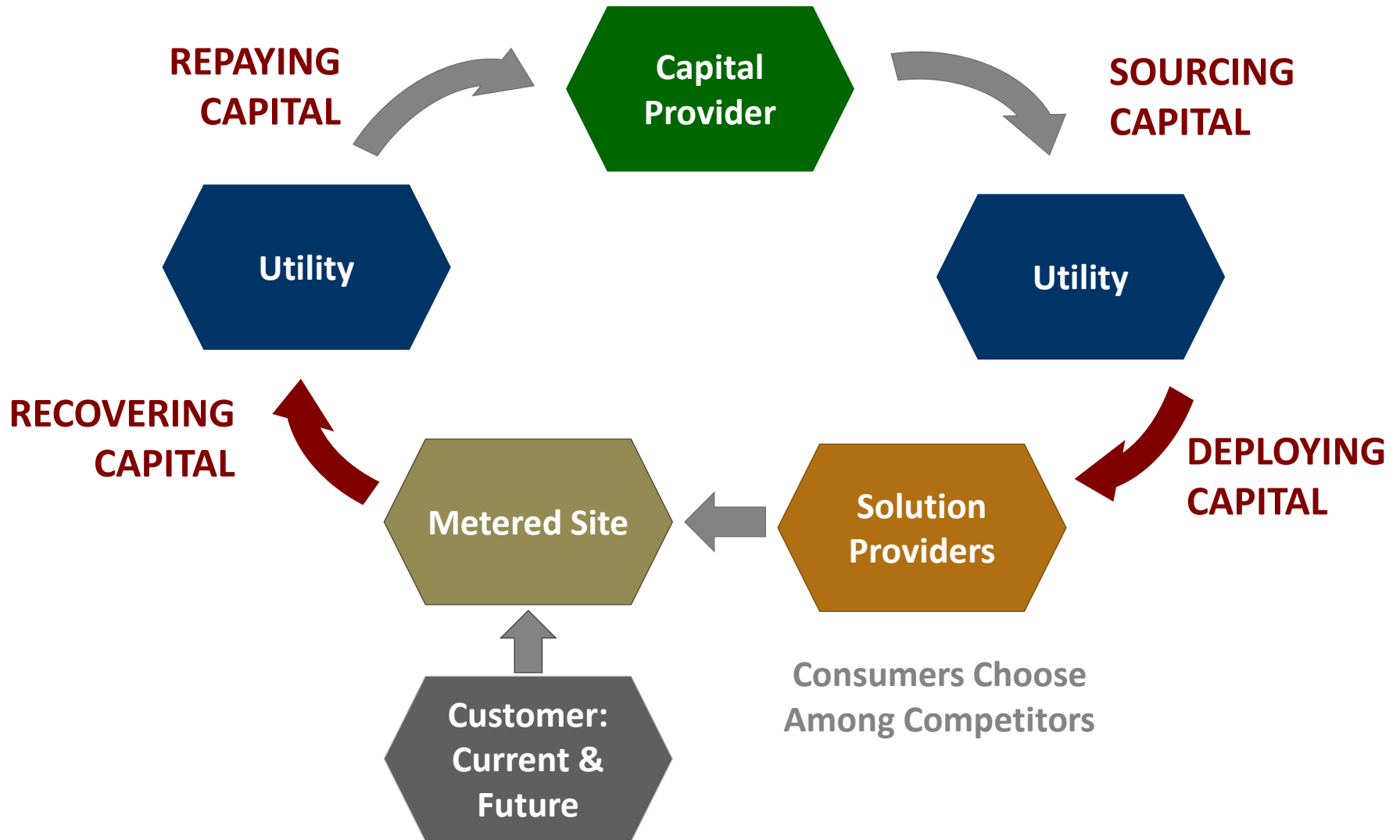
Up to **\$5 Billion**  
available annually  
at Treasury rates

**\$6 Million**  
Investment  
program

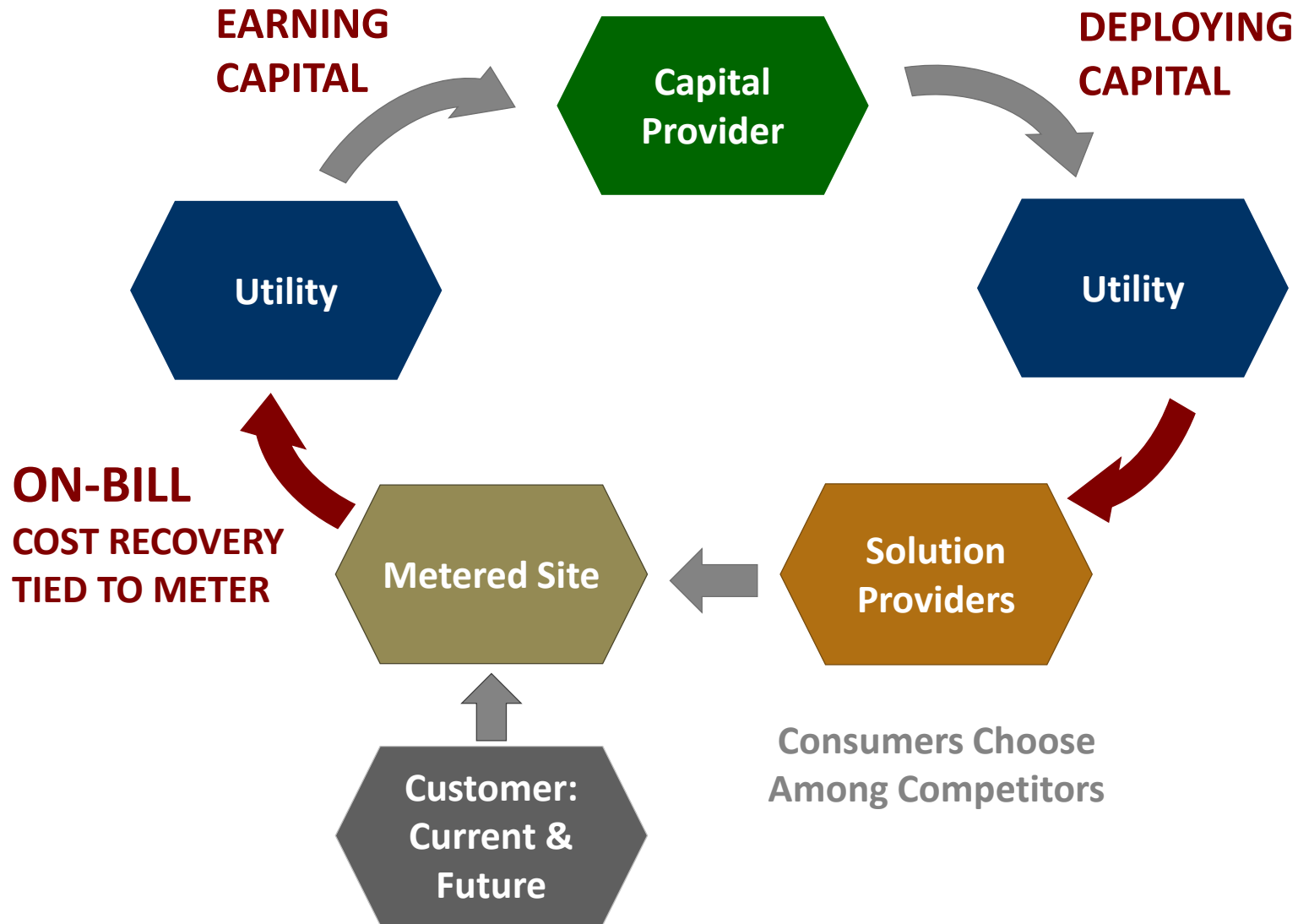
**~\$6,000**  
in upgrades  
per participant

*Pay As You Save<sup>®</sup> and PAYS<sup>®</sup> are trademarks of Energy Efficiency Institute, Inc.*

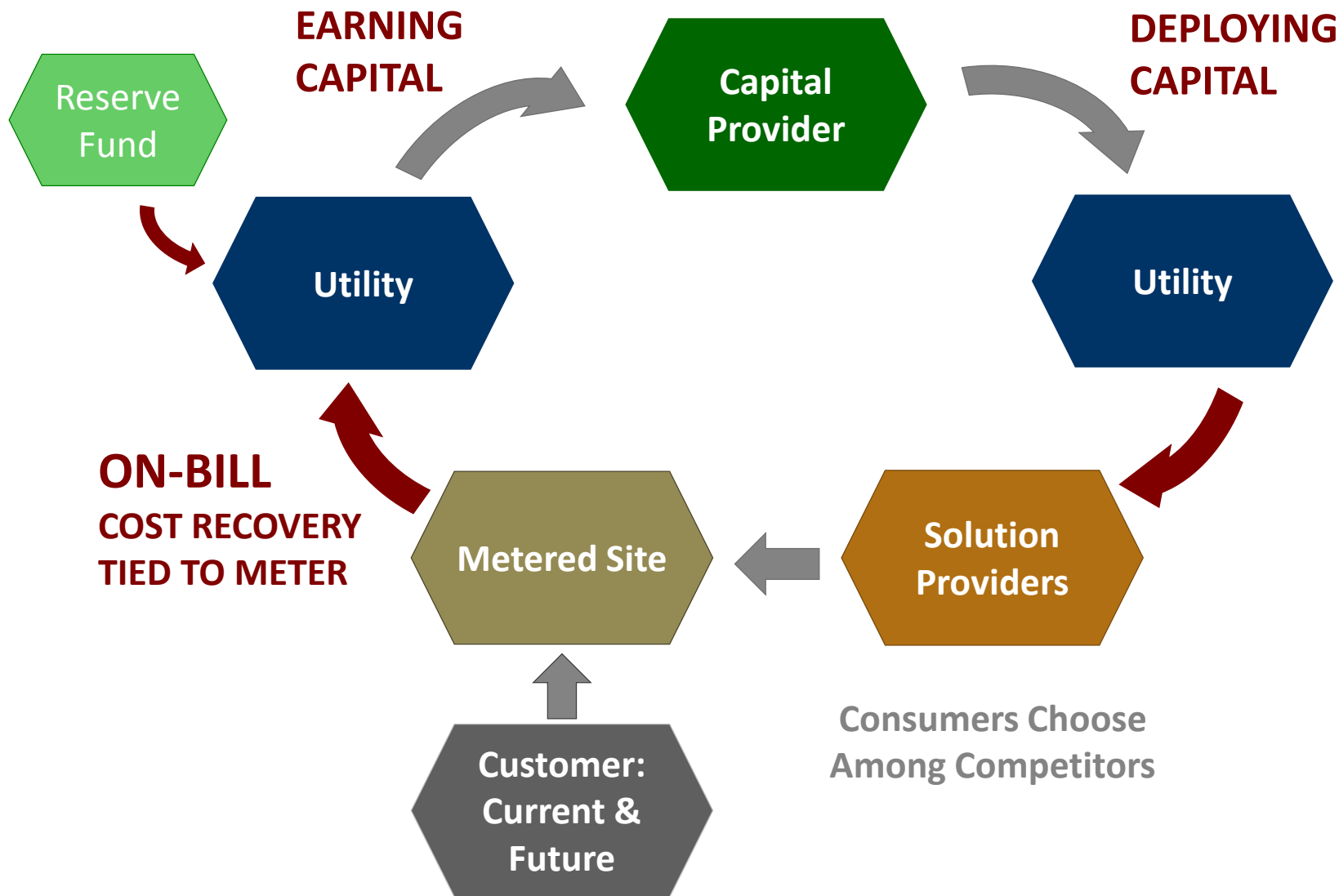
# Capital Cycle from Perspective of a Utility



# Capital Cycle from Perspective of a Capital Provider



# Reserve Funds assure utilities can fulfill obligations





# Sourcing Capital for Inclusive Financing Programs

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# Capital Sources for Sample Programs

Utility	Program Name	Capital Source
EverSource	Municipal Smart Start	Ratepayer funds *
HECO	Solar Saver	Ratepayer funds *
Midwest Energy	How\$mart	Bank (CFC), State grant *
Kentucky	How\$mart KY <sup>®</sup>	Community Development Financial Institution (CDFI)
Roanoke	Upgrade to \$ave	Rural Utility Service
Ouachita	HELP PAYS <sup>®</sup>	Bank (CFC)

\* Looks like a grant, which then provides a revolving fund

# Sample Capital Sources by Cost, Eligibility, Reliability

Capital Source	Cost of Capital	Eligibility	Recurring
Ratepayer funds *	Grant	Utility oversight (Commission or Board)	Potentially, but unreliable
State grant *	Grant	Program criteria	No
Community Development Financial Institution (CDFI)	~3%	Non-profit utilities	Yes
Rural Utility Service	~2% (Treasury + 1/8)	RUS borrower (most co-ops)	Yes
Bank (CFC)	~4%	Bank client	Yes

\* Looks like a grant, which then provides a revolving fund

# Utility is Responsible to Capital Provider, Regardless of Program Performance

Utility	Program Name	Reported Charge Off Rate
EverSource	Municipal Smart Start	0%
HECO	Solar Saver	0%
Midwest Energy	How\$mart	<0.1%
Kentucky	How\$mart KY <sup>®</sup>	<0.1%
Roanoke	Upgrade to \$ave	--
Ouachita	HELP PAYS <sup>®</sup>	--

Field experience shows Reserve Funds are *not necessary* in order to repay capital providers. However, utilities that lack experience with this type of investment portfolio may also lack confidence in ability to meet its obligations. Reserve Funds address this barrier.

# What are the best sources of capital?

- Low barriers to access
- Reliably recurring
- Low cost
- No carrying costs (reimbursable loans, similar to line of credit)
- Consistent with sourcing capital for mainline business

*Typically, the best sources of capital are the mainline sources the utility uses for other corporate investments.*

# Special look at Electric Cooperatives



- Rural Utility Service
  - Energy Efficiency & Conservation Loan Program (EECLP)
    - Draws on the same unsubsidized financing available since the 1930s
    - No competition, no deadlines
    - Reliably available, swiftly administered, consistent with mainline business
    - Reimbursable loan (similar to a line of credit: only owe what is used)
  - Rural Economic Development Loan & Grant (REDLG)
    - Subsidized, so capped at \$1 million; competitive, so unreliable
  - [Rural Energy Savings Program]
    - Tariffed on-bill programs are not eligible; consumer loans only.

- Banks

- CFC, CoBank, Wall Street



# Sourcing Capital for Inclusive Financing Programs

- Distinguishing between sourcing and deploying capital
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# Arranging third-party private sector capital

- Corporate finance
  - Use the same capital sourcing infrastructure that the company uses for its mainline business
  - Results in a blended cost of capital
- Green bonds
  - Dedicated capital raised through a bond issuance that may have a lower cost of capital
- Special Purpose Entity (SPE)



# Questions?

# Next Session

## Inclusive Financing & Workforce Development

Thursday, August 17, 2:00 p.m. - 3:00 p.m. EDT

### Session Description

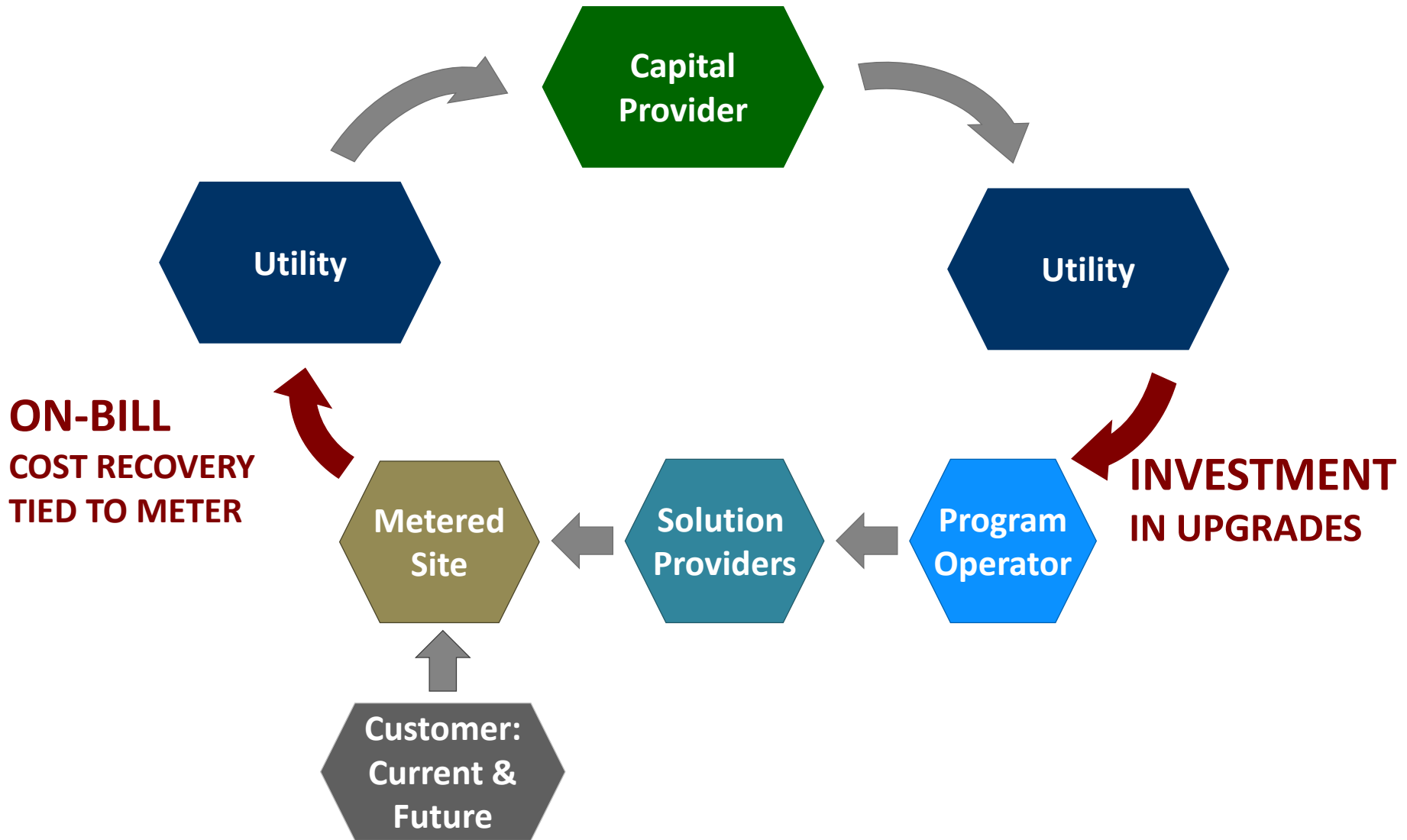
Inclusive financing reaches underserved market segments, which are often places where little work has been available to contractors qualified to perform upgrades. What are the best ways to support workforce development to keep pace with increasing demand for high quality work that ensures the upgrades achieve the estimated savings on which investments are based?

Join us to hear from experts in training, quality assurance, and voluntary labor standards that support those with jobs created by flows of investment into new markets.



[www.SEEALLIANCE.org](http://www.SEEALLIANCE.org)

# Inclusive Financing via Tariffed On-Bill Investment Program



# Inclusive Financing via Tariffed On-Bill Investment Program

