

A RESOLUTION FOR RECEIVING AN UPDATE
ON THE TOWN'S ENERGY PLANNING ACTIVITIES
Resolution No. 186/2009-10

WHEREAS, an ARRA grant application has been submitted to and accepted by the US Department of Energy (USDOE) Retrofit Ramp Up program in collaboration with the Town of Chapel Hill and the Southeastern Energy Efficiency Alliance (SEEA) to pursue community scale energy efficiency retrofits.

NOW THEREFORE BE IT RESOLVED by the Carrboro Board of Aldermen that the Aldermen accept the report prepared by staff and authorize staff to: accept the grant award of \$75,000 and negotiate a contract with USDOE through the Southeast Energy Efficiency Alliance; develop a Memorandum of Understanding with Chapel Hill to share administrative and monitoring and verification costs; and make all necessary arrangements to implement a first year budget.



TOWN OF CARRBORO

NORTH CAROLINA

TRANSMITTAL PLANNING DEPARTMENT

DELIVERED VIA: ☒ HAND ☐ MAIL ☐ FAX ☒ EMAIL

To: Board of Aldermen

From: Randy Dodd, Environmental Planner

Cc: Steven Stewart, Town Manager
Roy Williford, Planning Director
Patricia McGuire, Planning Administrator
Matt Efird, Assistant to the Town Manager
James Harris, Community and Economic Development Director

Date: June 17, 2010

Subject: ARRA Retrofit Ramp Up Grant Application

Summary

The purpose of this memo is to update Board members on Carrboro's proposed participation in the US Department of Energy's Retrofit Ramp Up program.

Information

Town staff have worked with Chapel Hill staff and a nonprofit, the Southeastern Energy Efficiency Alliance (SEEA), to participate in an application to the US Department Of Energy "Retrofit Ramp Up" program which is geared towards community scale energy efficiency retrofits of existing buildings. This partnership is designed to focus on building science, systems, and usage behavior, with an emphasis on improving energy efficiency by 20% - 40% per structure, and a second emphasis on phasing in alternative/renewable generation. The SEEA application to DOE was successful (partially funded), and included participation from jurisdictions throughout the southeast (Table 1). The project is intended to unfold over two to three years, with the partnership and alliance being a long term, sustaining pursuit. Chapel Hill and Carrboro are expected to receive \$225k in the initial year, with final contract expected in summer, 2010. Chapel Hill and Carrboro would be eligible to compete with other SEEA participants for additional funding after the initial year, as described below.

Table 1: Jurisdictions Participating in Southeastern Energy Efficiency Alliance Retrofit Ramp Up

Jurisdiction	First Year Funding
Atlanta	\$1,200,000
New Orleans	\$1,000,000
Jacksonville	\$1,200,000
Hampton Roads Metro*	\$350,000
Charlottesville Metro	\$800,000
Huntsville	\$400,000
Virgin Islands*	\$200,000
Chapel Hill/Carrboro	\$225,000
Charleston	\$500,000
Decatur	\$125,000
Charlotte *	\$400,000
Nashville*	\$250,000
TOTAL	\$6,650,000

*"Tier Two" Jurisdictions

The following text is adapted from information provided by SEEA.

The first year allocations are based on three criteria: 1) capacity, based on present organizational structure, staffing, track record, target market size and resource matches from EECBG funds, local utilities, foundations, private capital and other sources; 2) for smaller communities, a threshold level of support required to enable their successfully launching an alliance program; and 3) a total first year budget comprising no more than 30% of the award total. SEEA proposes to offer each of the eight "Tier One" communities (including Chapel Hill/Carrboro) one year of support to hire staff, design their programs, and achieve start-up implementation of their programs. SEEA also offers at no cost (with budget ceilings) these communities support with: marketing; program design; workforce development; monitoring and verification; customer tracking; and quality assurance.

The Tier One cities will receive their Year One allocation in two allotments, with the second contingent (50%) upon reaching specific milestones, during the first six months of program start-up. These milestones will focus on program management in place, program designs completed, leverage sources committed, utility relationships formalized, and marketing strategies underway. Tier one cities failing to meet milestones are subject to a termination of funds at the six month juncture.

After Year One, the remaining \$7.4M in SEEA's award will be allocated to communities based on completed project agreements with customers, with a minimal cost-share or leveraging requirement of 50%. To do so, SEEA will establish a central bank account, consistent with DOE guidelines, that disburses incentives and program support funds. The allotments allocated can be split between customer incentives and program support in any manner the community decides. SEEA will plan to disburse 50% of the "earned" funds once a customer Letter of Intent (LOI) is signed. The remaining 50% will be sent upon the signing of a customer agreement or contract to move forward. For communities that establish a consistent stream of small customer transactions, SEEA may convert that formula to an advance based on the monthly average of total project

dollar value in energy efficiency projects completed. SEEA will establish a dollar ceiling for allocation of the \$7.4 M that any one community cannot surpass. If the federal government passes Home Star/Building Star legislation, SEEA will adjust the leveraging requirement accordingly.

In part because SEEA is establishing a first come, first served basis for the remaining \$7.4M, SEEA will establish ground rules on acceptable customer incentive levels. SEEA will also establish customer incentive limitations as a percentage of total project value by customer end-use and measure category. For example, national experience has demonstrated that residential single family envelope and air sealing measures require close to a 50% incentive in most regions; replacement appliances with high EE ratings require incremental cost incentives only. Energy performance contract incentives in the 15-20% range should be sufficient to engage most targeted customers. Commercial building lighting incentives may vary according to utility rates, but achieving a customer payback of 2-3 years has worked in most locations. These incentive formulas will be established in consultation with each community, but will be consistent across the region (controlling for utility rates). They will be established in the first month of program implementation.

To facilitate communities' access to financing programs, SEEA will allocate funds to a Regional Loan Loss Reserve (LLR) for a Financing Program that SEEA establishes for all communities. SEEA will select a lending team which will establish a program throughout the Southeast to provide process, market, and service a loan program. Consistent with the program strategy above, the LLR will not set allocations by community, but rather will use a single program serving all participating communities.

SEEA will staff the program with a: program director; accounting director; communication manager; and two community program associates. SEEA will also support consultants and vendors for nine categories of anticipated support; this support will be available to partners on an as needed basis during the first year of the program. These categories are:

1. Management Support
2. Accounting Support
3. Monitoring and Verification/Customer Tracking
4. Marketing Strategy
5. Financing assistance
6. State Support
7. Workforce Development
8. Program Design Assistance
9. Communication/Best Practices

First Year Budget

The following text describes the recommended program design and budget. This approach represents a collaboration between Carrboro and Chapel Hill staff. While there is no explicit budget line item, working with utilities, (Duke Energy, Public Service Gas, Piedmont Electric, and OWASA), potential funding agencies, and entities such as the NC Utilities Commission is implicit in the program design and relevant for staff, SEEA consultants and contractors, and perhaps foremost the new program administrator. This coordination will include exploration of topics such as on bill financing and other coordination of outreach and leveraging of incentives.

Specific Year One goals implicit in the Carrboro's budget are to:

- allocate a majority of incentive dollars to commercial loans, with a smaller allocation for subsidies for residential energy audits
- secure additional funding for Year Two based on Year One performance
- take advantage of any utility conservation programs which dovetail with this project
- position program to take advantage of any federal conservation programs (HomeStar)
- investigate opportunities for utility on-bill financing
- begin developing plan for long-term viability of program

Carrboro and Chapel Hill staff have been collaborating on a proposed budget for first year funds. A principal recommendation is that about $\frac{1}{4}$ of the first year combined budget be allocated to the establishment of a full-time administrative position (contract employee) in order to assist the with the rapid deployment of energy incentives. This position would be guaranteed for one year; the long term success will depend on a qualified candidate successfully launching and marketing the program. As explained above, under the SEEA grant each Town will get back in Year Two as much as it can issue in the way of incentives during Year One. These funds can then be used in part to help support the administrative position in Year Two and the continued deployment of incentive dollars. The funding for this proposed new position would be provided by Retrofit Ramp Up funds as well as Chapel Hill block grant funds. Sustained funding for the administrative position will be evaluated in the spring of 2011.

Table 2: Draft Combined Chapel Hill-Carrboro Year One Budget

Category	Chapel Hill SEEA Funds	Chapel Hill EECBG Funds	Carrboro SEEA Funds	Total
New Administration Position	\$17,500	<u>\$25,600</u>	\$10,000	\$53,100
Marketing	\$11,000			\$11,000
Energy Revolving Loan Fund			\$55,000	\$55,000
Measure Subsidy/Int. Rate Buydown	\$90,500			\$90,500
Audit Subsidy	\$10,000		\$5,000	\$15,000
Monitoring & Verification	\$17,000		<u>\$5,000</u>	\$22,000
Travel	<u>\$ 4,000</u>			<u>\$ 4,000</u>
Total	\$150,000	\$25,600	\$75,000	\$250,600

Based on the draft budget shown above, \$60,000 of Carrboro's allocation would be dedicated to incentives and reimbursable to the Town after Year One. The bulk of these incentives would be geared towards subsidies for energy improvement measures in the commercial sector through the revolving loan fund, with the remainder to subsidize residential energy audits. SEEA is working to develop a monitoring and verification software program that will track the information necessary for DOE reporting. Communities are being asked to budget for a portion of the cost and use of this software.

The steps described below outline a possible program design and schedule based on the draft budget shown above. The recommendations assume the Carrboro Board of Aldermen and Chapel Hill Town Council approve program design and draft budgets for SEEA project.

June 2010

- Chapel Hill hosts Retrofit Ramp-up planning session with Carrboro staff week of June 21
- Staff negotiate contract with the Southeast Energy Efficiency Alliance for \$75,000 for Year One
- Staff develops Memorandum of Understanding between Chapel Hill and Carrboro and SEEA to share administrative and monitoring and verification expenses
- Contact Jeff Hughes to arrange meeting/discussion
- Preliminary footwork assessing likely businesses/property owner recipients of revolving loans based on pool of businesses suitable for identified retrofits

July 2010

- Towns develop and advertise administrative position, which in addition to overall program/grant management, includes marketing, contractor pre-qualification and oversight, formalizing utility and lending institution relationships, leveraging support
- First allotment of funding received from SEEA
- Carrboro staff work with SEEA/consultants to: develop non-residential application form; non-residential marketing material; qualifying criteria for non-residential applications; and finalize loan structure
- Canvas businesses

August 2010

- Administrative position interviews

September 2010

- Administrative position hired
- Begin processing loan applications

October 2010 ->

- Town works with SEEA to ensure that 6-month milestones are met
- Town continues with loan applications, initiates residential audits, and pursues monitoring and verification

Recommendations

Town staff have discussed this opportunity, and recommend that for the first year funding allocation, the following strategy be pursued:

- 1) The Town enter into contract with SEEA to pursue energy retrofits in buildings. The Town use a majority of the available funding (pending final award; anticipated at \$75k for Carrboro) to seed an energy revolving loan fund for Carrboro. This revolving loan fund focus on local businesses for pilot testing because of the Town's proven success with this approach in this sector, the need to respond quickly, and staff assessment of feasibility and likely success;
- 2) Staff work closely with SEEA, Chapel Hill staff, and others to develop a longer term strategy for expanding this pilot program.
- 3) That the Board adopt the attached resolution authorizing staff to move forward with the recommendations presented herein, including the development of a Memorandum of Understanding with Chapel Hill to share administrative and monitoring and verification costs.