



# OLR RESEARCH REPORT

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## **CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY INITIATIVES**

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You asked for a summary of recent Connecticut Clean Energy Finance and Investment Authority (CEFIA) initiatives.

### **SUMMARY**

According to a March 2013 presentation to the Energy and Technology Committee, CEFIA is seeking to attract capital from sources beyond utility ratepayers to expand Connecticut's use of clean energy (renewable energy and energy efficiency measures) to (1) make Connecticut the most energy efficient state in the nation, (2) deploy renewable energy locally, and (3) support the infrastructure needed for a clean energy economy.

Among CEFIA's recent and forthcoming initiatives are the commercial property assessed clean energy (C-PACE) program, Solarize Connecticut, and several loan programs. C-PACE allows commercial property owners in participating municipalities to finance clean energy improvements for their buildings, with the cost repaid using a special assessment similar to a sewer assessment. At least 14 municipalities, including several of the state's largest cities, have adopted enabling ordinances for this program.

Solarize Connecticut is a program to encourage residential photovoltaic (PV) use in which a participating municipality selects a solar installer, who offers to reduce its prices as the number of residents who sign up for solar power increases. The program's first phase resulted in the installation of twice as much residential solar generation in the four participating municipalities (Durham, Fairfield, Portland, and Westport) as had been installed in the last seven years. The second phase of the program began in early March and includes Bridgeport, Canton, Coventry, and a partnership between Mansfield and Windham.

CEFIA is currently developing four other programs to further finance clean energy deployment throughout the state. Its Smart-E loan program is a partnership with Connecticut credit unions and community banks to provide \$28 million of long-term, low-interest financing for comprehensive energy upgrades in residential homes. The Cozy Loan program will use private capital and federal funding to offer 10 year efficiency and renewable energy project loans with a 4.5% interest rate. The Solar Loan program will be funded by private capital, loans from CEFIA, and federal funding. It will offer 15 to 20 year loans for solar energy projects, at interest rates ranging from 6.99% to 10.99%. The Solar PV and Solar Hot Water Lease program will be backed by private capital and funding from CEFIA and the federal government. It will offer 20 year leases with payments dependent on energy prices.

## **C-PACE**

[PA 11-80](#) allowed municipalities to establish PACE programs, under which they could lend money to local residents and businesses for energy efficiency or renewable energy projects for their properties. The loans are recovered by an assessment on the property that benefits from the program, backed by a lien.

As described in [OLR Report 2012-R-0027](#), the federal government has largely curtailed implementation of PACE programs in the residential sector. Subsequently, the legislature adopted [PA 12-2](#), June 12, 2012 Special Session. This act limits the earlier authorization for PACE programs to properties containing four or fewer residential units. It requires CEFIA to establish a separate C-PACE program for qualifying commercial property (including multifamily buildings with five or more units) and allows municipalities to participate in the program under a written agreement approved by their legislative bodies.

The act:

1. requires an energy audit or renewable energy feasibility analysis to assess the proposed project's cost savings over its useful life;
2. gives the lien priority over existing mortgages, but requires that the property owner give existing mortgage holders at least 30 days' written notice of his or her intent to participate in the program before the lien is recorded; and
3. allows participating municipalities to assign the liens to CEFIA and CEFIA to sell or assign the liens.

To date 14 municipalities have authorized the creation of local C-PACE programs: Beacon Falls, Bridgeport, Durham, Hartford, Middletown, Norwalk, Old Saybrook, Simsbury, Stamford, Stratford, West Hartford, Westport, Wilton, and Windham. Cheshire, Clinton, and Meriden are considering establishing programs.

C-PACE allows building owners to finance qualifying energy efficiency and renewable energy improvements by placing a voluntary assessment on their property tax bill. The term of the assessment can be up to 20 years.

Property owners pay for the improvements over time through this additional charge on their property tax bill and the repayment obligation transfers automatically to the next owner if the property is sold. Similar to a sewer tax assessment, capital provided under the program is secured by a lien on the property, so low-interest capital can be raised from the private sector.

In November 2012, CEFIA qualified eight capital providers through a request for information. They are: Ameresco; Bostonia Group; Citi; Clean Fund; People's United Bank; Structured Finance Associates, LLC; Urban Atlantic; and Wells Fargo. A property owner can choose to obtain financing from these entities or any other capital provider.

Further information about C-PACE is available at <http://www.c-pace.com/site/page/view/about>.

## **SOLARIZE CONNECTICUT**

In the Solarize Connecticut program, CEFIA is partnering with municipalities to bring competitively priced solar photovoltaic (PV) systems to homeowners. The program is designed to encourage the adoption of residential solar PV by deploying a coordinated education, marketing, and outreach effort, combined with a tiered pricing structure that provides

increased savings to homeowners. Under this approach, the program aggregates homeowners to bring down the cost of solar PV when residents of the participating municipality sign up for a pre-selected installer's offering. The more residents who sign up to install solar, the more the PV system price decreases for everyone who participates. Information about the installer, the technology, and the exact price of PV are provided upfront to make it easier for residents. As more homeowners sign up to install solar through purchase or lease agreements, the price decreases for everyone, including those who installed systems earlier in the program before the maximum savings are achieved.

CEFIA recently completed the first phase of the program and is about to start the second phase. The first phase operated in Durham, Fairfield, Portland, and Westport. CEFIA selected these municipalities. In less than five months, the first phase of the program resulted in the installation of twice as much residential solar generation in the four municipalities (approximately 2.3 megawatts) as had been installed in the last seven years. The four municipalities collectively achieved almost 300 signed contracts as a result of the program.

The second phase of the program began in early March and includes Bridgeport, Canton, Coventry, and a partnership between Mansfield and Windham. Each municipality will work with CEFIA to select the solar installer who will partner with them on the project. The municipalities will consider the tiered pricing offered by the installers, as well as the quality of their workmanship, materials, project management experience, and marketing plans. After CEFIA issued a request for proposals (RFP) for eligible solar installation companies, each municipality selected an installer, who are identified in the municipality pages of CEFIA's website.

Once the installers have been selected for each community, additional details about pricing, leasing options, and program participation will be announced. Residents of the phase two municipalities can visit [www.solarizect.com](http://www.solarizect.com) to sign up to receive more information as it becomes available.

The program also received support from the John Merck Fund (a philanthropy) and SmartPower (a non-profit organization that promotes renewable energy and energy efficiency). Solarize Connecticut is part of the Energize Connecticut program, which is intended to help consumers save money and use clean energy.

## **FORTHCOMING PROGRAMS**

CEFIA is currently developing four other programs to help further finance clean energy deployment throughout the state: (1) the Smart-E Loan, (2) the Cozy Loan, (3) the Solar Loan, and (4) the Solar PV and Solar Hot Water Lease program. CEFIA hopes to launch all four programs sometime during the second quarter of 2013.

CEFIA's Smart-E loan program is a partnership with Connecticut credit unions and community banks to provide \$28 million of long-term, low-interest financing for comprehensive energy upgrades in residential (up to four unit) homes. CEFIA is providing a \$2.5M loan loss reserve to support the financing of these upgrades with private capital from participating lenders. The program will be open to all United Illuminating (UI), Connecticut Light & Power (CL&P), and municipal electric utility customers. All contractors listed as eligible by UI, CL&P, Southern Connecticut Gas, Yankee Gas, Connecticut Natural Gas, or municipal electric or gas organizations within Connecticut are eligible to complete projects financed through the program.

Smart-E financing can be used to install nearly any measure that decreases electricity or fuel use, including efficiency upgrades, oil-to-gas conversions and renewable energy measures. Up to 20% of the loan can be used to make a home healthier (e.g. lead abatement, asbestos removal), complete structural repairs, or purchase Energy Star appliances.

The Cozy Loan, Solar Loan, and Solar PV and Solar Hot Water Lease programs are still under development, although CEFIA hopes to release more information about them in the coming months. The Cozy Loan program will rely on \$2.5 million in funding from private capital and \$410,000 in funding from the American Recovery and Reinvestment Act-State Energy Program (ARRA-SEP). It will offer 10 year loans with a 4.5% interest rate and hopes to save an estimated 25,000 MMBtu of energy.

The Solar Loan program will be funded by \$4.5 million in private capital, \$1.5 million in loans from CEFIA, and \$300,000 from ARRA-SEP. It will offer 15 to 20 year loans at interest rates ranging from 6.99% to 10.99% to customers with credit scores of at least 680. The program hopes to generate 1.7MW of electricity.

The Solar PV and Solar Hot Water Lease program will be backed by \$50 million from private capital, \$9.5 million from CEFIA loans, and \$3.5 million from ARRA-SEP. It will offer 20 year leases with payments dependent on energy prices. It hopes to save an estimated 5,000 MMBtu and generate 11 MW of electricity.

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