

## **Background**

The recent focus of both the Obama administration as well as the state of Maine on energy efficiency has brought to the forefront the potential for a significant energy savings program, emissions reductions and also a major new growth industry for the state and region. Within the York County region, the recent Bi-state Green project highlighted the relationship between energy issues and economic development. That project and others have noted that while a great deal of attention is given to ideas for new and alternative green technologies (and rightly so) the bottom line is that in the short term there is a much to be gained from simply working with our existing built environment – not only residential but commercial, industrial, municipal and non-profit owned buildings – and seek ways to make them more energy efficient. Maximizing energy efficiency in older buildings represents a huge opportunity in terms of reducing energy costs, reducing CO2 emissions, and creating new jobs.

The reasons for focusing on existing structures is fairly evident. Over 40% of the buildings in York County were constructed prior to 1970. Most of the buildings will remain for many years to come. In addition, the amount of new building which may arise following this recession will be extremely small compared to the existing building stock. So while we may outfit these new buildings according to the latest energy efficient standards, we still need to address our older, inefficient housing and commercial building stock.

The idea of creating new jobs as a result of energy efficient building retrofits would also seem to be evident. In fact many of these new jobs could be developed within an industry which is now being battered – the construction industry. Within York County, the construction industry has often accounted for much of the regions employment and job growth. As in previous recessions that sector is now feeling the brunt of the housing market collapse.

It should also be pointed out that York County has just experienced the loss of nearly 1,400 manufacturing jobs within the last six months. There would seem to be a tremendous opportunity for the retraining of individuals in both construction and manufacturing to address the needs of the energy efficiency industry. Businesses that design and install energy efficiency retrofits will benefit as well as those that sell insulation, thermal windows, co-generation systems, lighting and solar hot water systems. Individuals will be needed to not only develop these systems but install them as well.

Finally, energy efficient retrofits such as adding insulation, air sealing attics and basements and installing properly sized energy efficient heating and cooling systems can save 30-50 per cent in energy usage in older buildings. These savings can then be used by individuals, business owners or municipalities to invest in other needed capital items or to grow their business or provide housing opportunities within the community. It is rare that a program can possibly result in numerous values for sustainable economic development being achieved - job retraining; job creation; affordable housing; environmental protection and business growth - all with a modest investment.

## Outline of program

The Southern Maine Regional Planning Commission (SMRPC) proposes to start a Revolving Energy Fund/Grant program (REF) that would be developed to loan and grant money to energy efficiency, clean energy or other energy reduction measures to qualified applicants in York and southern Oxford County. Applicants are envisioned to be:

- Small Businesses (50 or fewer employees, and less than 1 million in projected gross revenues). Small businesses are the backbone of the state and regional economy. In York County, 82% of the workforce is employed at firms with less than 10 people. Improving the bottom line in these firms through energy savings could provide major opportunities for growth and could also lead to the retention of jobs and existing businesses. While some programs assist businesses in the area of energy efficiency (such as free energy audits from Efficiency Maine), it is difficult to find programs for implementing energy efficiency measures in a cost effective manner.
- Medium income homeowners (as opposed to low income homeowners who are served by other programs)
- Schools (does this conflict with Efficiency Maine?)
- Municipalities (does this conflict with efficiency Maine?)
- Non-profit agencies (I don't think there is any program here?)
- Multi-family residential housing projects (this has been identified as a need in mill redevelopment projects that have been undertaken in North Berwick and Biddeford) and would be valuable. Can you just address multi-family?

SMRPC will seek seed money from the Energy Efficiency and Conservation Block Grant Program through Efficiency Maine . We anticipate applying for **\$500,000?** to begin the program, including program set up and development, setting up the necessary training for auditors, program outreach, and initial contracts for loan review and underwriting. Following this the funds can “revolve” back into the program to ensure the sustainability of the program. **This is a key component of the program as we need to ensure that funds are available even after any stimulus dollars are gone.**

Some sort of incentive may also be needed to first engage people in the program, most likely at the audit phase. The Northern Maine Development Commission (NMDC) set up a program to pay for 50% of a business grade audit if the company agrees to undertake some or all of the recommendations which arise from that audit. The loan fund would then be used to help pay for the energy projects and NMDC also works with the businesses to find grant funds and other cash incentive programs.

It may also be possible that as part of a major training initiative, audits could be conducted as part of that training at little or no cost.

## Program Administration

Loan review and underwriting of loans will be administered by SMRPC through a contract with the Biddeford Saco Area Economic Development Corporation (BSAEDC). SMRPC currently contracts with BSAEDC for the administration of the \$1,000,000 EPA Brownfields Revolving Loan Fund. It is anticipated SMRPC would also establish a separate REF Committee to review applications for loans and possibly grants. This Committee would be comprised of people familiar with finance, energy and other disciplines. SMRPC currently has a similar committee established for its Brownfield Program.

### **Program Outreach**

A partnership with the Maine Small Business Development Center (SBDC) will be established. The SBDC has a counselor and an office in SMRPC in Springvale. The SBDC provides business counseling services to small businesses throughout the region, has expertise in business planning and marketing and also has extensive contacts with small and medium sized businesses throughout the region. The SBDC could not only be valuable in locating prospective applicants but could assist with the review and financing of energy efficiency projects and the review of loan applications.

Other groups can also assist in project outreach. A number of communities have local energy committees and organizations. These include groups in Eliot, South Berwick, York, Kittery and in the Biddeford/Saco area. These groups have extensive contacts with individuals and businesses within their communities. SMRPC also has a network of non-profit and business groups, including local chambers who can market the program and identify potential applicants.

### **Energy Audits and Training**

While there are resources available for free walk through energy audits from organizations such as Efficiency Maine, the scale and scope of these audits may not be sufficient for businesses as they are of the walk through variety and may not identify the cost savings needed to make an investment worthwhile. Additionally the Efficiency Maine audits focus on electricity usage leaving out the fuel oil dependency concerns. It seems a more complete audit would be needed to help a business address all their energy needs.

Similarly, the Maine State Housing Authority has set up a rigorous training program for energy audits. However, the focus of this training is residential in nature. A residential auditor can not necessarily address the energy issues facing a business and may not be certified to do so. It should also be noted that even on the residential side there appears to be a shortage of auditors in the southern Maine area –the most densely populated region of Maine. .

Thus with both a shortage of trained auditors on the regional level, and a lack of auditors trained specifically for business grade energy audits, it would seem necessary to coordinate a new Energy Audit Certification program. Ideally, SMRPC would coordinate such training with York County Community College, adult education venues or both as a critical component to the REF program.

### **Types of Projects**

While the type of projects to be funded may be broad in nature they will all need to demonstrate a higher level of energy efficiency once implemented. They might include: lighting upgrades; cooling and heating systems; ground and air source heat pumps; window replacements; alternative fuel vehicles; solar and wind energy; led lights; co-generation and thermal cool storage; insulation measures; energy management units; and others.

It is hoped with the local and regional knowledge of these projects, that attention can also be provided to creative energy initiatives such as heating old mill sites with hydro and geo thermal projects, small scale wind energy projects that can demonstrate a cost savings over the use of traditional energy sources or a program for solar hot water projects on a greater than small residential scale.

In general, projects might need to be examined for (not necessarily in order): emission reductions; energy savings; replicability; job creation; innovation; educational component; does it support local planning initiatives.

### **Loans and Grants**

Depending on the seed money found to begin the program it is hoped that a small amount of funding can be provided to fund a grant program to municipalities and non-profits. However it is likely that the bulk of the funding would be in the form of loans to eligible businesses and other projects. In order to have a loan fund which truly revolves it will be necessary to find acceptable repayment terms on loans while making it worthwhile for the business to undertake the investment. A few methods might be considered such as:

- Creating loan repayment terms that allow funds to be paid back based on the difference between current operating costs (in energy) and the new (reduced) operating cost for a designated period.
- Supplementing loans with grant funds, cash incentives and other programs from Efficiency Maine and other organizations.
- Establishing below market rate loan amounts and payback periods and even considering no interest terms.
- Establishing adjustable payment schedules based on the business profile and their energy savings
- Looking at the carbon trading market for offset dollars to supplement the program.

It is important to realize this program operates differently than a bank in that it seeks to fulfill environmental, social and economic development goals and is not geared toward profit. It thus considers potentially more risk and flexibility than a standard loan program.

### **Issues to Consider**

How or do we address a residential component? If so York County Community Action needs to be involved.

The program hopes to supplement existing programs at the state level while acknowledging that some programs are best developed and implemented at the regional level.

Can we develop a grant component to this program? How? For who?

Do we not only need more auditors nut actual training in energy retrofits? Who or where would we develop this program?