


Memorandum

To: Acting Chairman Anthony Hubbard, Energy Efficiency Resources Management Council
c/o Becca Trietch

CC: Commissioner Ucci, Office of Energy Resources

From: Jeffrey R. Diehl 
Executive Director and CEO

Date: September 10, 2020

Re: Infrastructure Bank Comments on 2021 Energy Efficiency Plan

Rhode Island Infrastructure Bank (the "Bank") respectfully submits the following comments regarding National Grid's proposed draft of the 2021 Energy Efficiency Program Plan ("the 2021 Plan").

With respect to the Efficient Buildings Fund (the "EBF") program administered jointly by the Bank and the Rhode Island Office of Energy Resources (the "OER"), the Bank opposes the 2021 Plan as proposed by National Grid. The 2021 Plan removes critical funding for the EBF program, funding which is necessary to provide low cost financing to Rhode Island communities for energy efficiency projects. The Bank strongly urges the 2021 Plan include an allocation of \$5 million, consistent with the three-year plan created by National Grid for CY 2021, 2022 and 2023, so that the EBF Program can continue to support investment in the municipal energy sector.

Municipalities depend on the EBF to finance deep, comprehensive energy efficiency retrofits in public buildings. These comprehensive projects cost significantly more than single measure improvements and most cities and towns do not have cash on hand to pay for these projects upfront. The EBF provides cities and towns with the ability to access large amounts of financing capital to accelerate these investments, rather than wait years to build up the cash it takes to fund these projects. Secondly, EBF allows cities and towns to repay the loan over time, and to use the projected energy savings to pay the annual debt service on the loan. This allows cities and towns to execute more comprehensive clean energy projects. The EBF program provides communities with a streamlined financing process, saving them significant costs versus borrowing the funds from other sources. The EBF program enables municipalities to advance projects today, thereby realizing the energy savings earlier than might happen in the absence of the EBF program.

The EBF program has been successful in fulfilling its mission of leveraging program capital with private sector capital and providing below-market financing to municipalities to incentivize their increased investment in clean energy. Through this year, EBF will have financed over 160 municipal clean energy projects with a total cost of \$61.1 million. The source of this financing includes \$29 million of program capital, predominantly sourced from the Energy Efficiency Program Plan, plus over \$32 million of private sector capital. The EBF program prioritizes investments in disadvantaged communities and clean energy projects include improvements in schools, senior and community centers, libraries, and public safety complexes. These projects have saved our communities over \$97 million in reduced energy and interest rate costs.



EBF-funded projects have reduced energy consumption in our communities by over 234,000 mWh and generated over 181,000 mWh of renewable, clean energy. Greenhouse gas emissions have also been reduced by over 300,000 metric tons, equivalent to that of 50,000 Rhode Island homes.

Currently, EBF's sole source of new capital is the annual allocation of System Benefit Charge through the Energy Efficiency Program Plan. Without this contribution, EBF will be unable to meet demand for clean energy project financing from our municipalities. Without EBF, municipalities will have to seek alternative sources of higher-cost financing which will cost our municipalities millions of dollars in additional interest costs and would render several projects uneconomic. These uneconomic projects will not move forward, thereby creating an opportunity lost to further reduce energy consumption.

The Bank works year-round with Rhode Island municipalities and quasi-state agencies to develop their clean energy projects. Currently, we have a pipeline of approximately \$100 million of projects for calendar years 2021-2023 resulting in an estimated 448,000 mWh of electric savings and 23 million therms over the useful life of the improvements. In addition, we expect this pipeline to increase further as many municipalities expect to obtain bonding authority from voters this November. We estimate that approximately \$260 million of the bonding authority sought in the upcoming election will be for projects eligible for EBF financing, with a large proportion of this targeted to eligible improvements in schools. As we move forward in providing \$27 million of lower-than-market EBF financing for the East Providence high school project this year, we have developed a model that can save our communities millions of dollars in interest costs on installing healthy, efficient and clean energy systems in schools, whether it is new construction or rehabilitation of existing facilities.

Should the allocation of \$5 million to the EBF not be included in the 2021 Plan, critical energy savings projects will be deferred or eliminated resulting in increased energy costs at a time when municipal fiscal health is weak. Based on our multi-year pipeline of projects, the Bank will be seeking \$10 million or more in the 2022 and 2023 Plans.