DRAFT: September 29, 2009

SOLAR & ENERGY EFFICIENCY DISTRICT (SEED)

DRAFT PROGRAM IMPLEMENTATION PLAN SEPTEMBER, 2009

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Appendices

I. Introduction

This Report has been prepared by the Marin Energy Authority ("MEA") pursuant to Section 5898.22 of the California Streets and Highways Code in connection with the establishment of the Solar and Energy Efficiency District Program ("SEED Program"). This is the guiding document for the SEED Program and fulfills the requirement of Section 5898.22 that this report contain:

1. A map showing the boundaries of the territory within which contractual assessments are proposed. (See Appendix C.)
2. A draft contract between a property owner and the MEA. (See Appendix E.)
3. MEA policies concerning contractual assessments.
4. A plan for raising a capital amount to pay for the work performed.

The SEED Program described herein is designed to help property owners within the MEA Communities (listed on Appendix A) reduce energy consumption, stress on the California power grid and reliance on energy derived from fossil fuels and increase clean energy generation and environmental quality.

1. Goals

The SEED Program aims to provide multiple benefits. By enabling property owners to take responsible energy actions, the program seeks to cut their utility bills. At the same time it benefits the local economy, the California power grid, and national and global energy interests, and makes it possible for Marin County governments to fulfill energy conservation and climate protection commitments.

The SEED Program will help property owners of improved real property make principled investments in the long-term health of the local, state, and national economy and global environment.

Marin County has established a goal to reduce greenhouse gas ("GHG") emissions by 15% below 1990 levels by 2020. MEA welcomes innovative energy solutions that will contribute to this goal. The MEA intends to initially fund the SEED Program with $[20] million for energy efficiency and distributed generation investments that might not have otherwise been possible, with a maximum aggregate amount of $[40?] million.

2. Background

Assembly Bill 811 ("AB 811") was signed into law by Governor Schwarzenegger on July 21, 2008 and became immediately effective as an urgency measure. Under AB 811, the California Legislature declared that a public purpose would be served by a contractual assessment program that provides the local government with the authority to finance the installation of energy efficiency improvements and distributed generation renewable energy sources (such as solar) that are affixed to residential, commercial, industrial, or other real property (collectively known as "Energy Improvements").

To make Energy Improvements more affordable and to promote their installation, AB 811 provides procedures for authorizing voluntary assessments to finance the cost of these improvements. The SEED Program works with the free and willing consent of owners of the property on which the Energy Improvements are to be made.

MEA will make loans ("SEED Loans") to property owners within the MEA Communities to finance the installation of Energy Improvements pursuant to contractual assessment agreements. The property owners will repay the SEED Loans through an assessment levied against their property which is payable in semi-annual installments on property tax bills.

3. Program Benefits

From MEA's perspective, the SEED Program will be a key element in working towards the Marin County's 15% GHG reduction goals. The SEED Program provides a significant channel for funneling more resources into the shift to greater efficiency and renewable energy. In addition, $20 million of energy efficiency and renewable energy investments has the potential to provide over $40 million in direct consumer benefits over time while contributing to regional, state, national and international goals.

For property owners, the SEED Program offers:

- A no-money-down means of financing Energy Improvements.
- Fixed-rate loans.
- Financing without requiring a property appraisal.
- A streamlined loan process.

4. Program Administration

The SEED Program will be administered by MEA, which is headed by the Director of MEA (the "Director") and staffed by SEED Program professionals. SEED Program staff and/or consultants will be responsible for:

- Community outreach and interface
- Processing loan applications
- Third party verification and quality control
- Managing and tracking funds available for SEED Loans

- Integrating the SEED Program with MEA, Marin County and other programs directed at energy efficiency, distributed generation and demand response measures
- Insuring building inspection and 'hold-release" is complete before payment is made to property owner

The intent of these services is to provide a "turn-key" service for property owners within the MEA Communities who would otherwise be unable or unwilling to finance efficiency measures and renewable energy options. Their participation is critical to help Marin County achieve its 15% GHG reduction goals and for the State to meet its commitment to reduce carbon emissions to 1990 levels by 2020.

II. Program Requirements

1. Eligible Property Owners

All owners of improved real property within the MEA Communities are eligible for the SEED Program. Owners may be individuals, associations, business entities, cooperatives, and virtually any owner which pays real property taxes.

A property owner needs to be current in the payment of property taxes. Property owners are eligible to make multiple applications for additional Energy Improvements.

2. Eligible Properties

SEED Loans are available to all owners of improved real properties in the MEA Communities including, but not limited to, residential, commercial, and industrial properties. Unfortunately at this time, SEED Loans are not available for properties that do not pay property taxes, such as governmental entities and certain non-profit corporations.

3. Eligible Equipment

The SEED Program affords property owners in the MEA Communities the opportunity to take advantage of a wide range of energy-saving and renewable energy generation measures, consistent with the following provisions:

SEED provides financing for Energy Improvements that are permanently affixed to property.

SEED Loans are specifically made available for Energy Improvements. Property owners that elect to engage in broader retrofit projects – such as home or business remodeling –

will only be provided SEED Loans for that portion of the costs used to retrofit existing structures with Energy Improvements. (This is discussed further in Eligible Costs.)

SEED Loans are intended for retrofit activities to replace outdated equipment and to install new equipment that takes energy off the grid. SEED Loans are made available for the following types of improvements that are presented in greater detail in Appendix B:

- Energy Efficiency Measures. The SEED Program supports a wide range of efficiency measures as presented in Appendix B.
- Solar Systems. SEED Loans will be available for a range of solar systems, from photovoltaic to solar thermal.
- Custom Measures. Upon review and approval by MEA, SEED Loans are made available for emerging technologies for Energy Improvements that provide new ways to save or generate energy and that will be evaluated on a case-by-case basis.

The SEED Program is flexible and provides three "Tracks" for participation that focus on Efficiency Measures, Solar Systems, and Custom Measures. See "Tracks for Participation" below for more information.

SEED Loans are also made available for combinations of Energy Improvements such as bundling energy efficiency and renewable energy measures. For instance, a property owner may choose to install both insulation and a solar system.

4. Eligible Costs

Eligible costs of the Energy Improvements include the cost of equipment and installation. Installation costs may include, but are not limited to, labor, drafting, engineering, permit fees, and inspection charges.

The installation of solar improvements can be completed by installers listed on the CEC installer database. The installation of Energy Improvements can be completed by a [qualified contractor][1] of the property owner's choice. Eligible costs do not include labor costs for property owners that elect to do the work themselves and will cover net systems costs after state and local rebates and incentives.

III. Tracks for Participation

There are three ways for property owners to participate in the Program. Eligible equipment and standards are presented in greater detail in Appendix B:

[1] To come out of discussion with Matt Golden, Sustainable Spaces

1. The Efficiency Track

The Efficiency Track covers a wide range of energy efficiency fixtures, from windows and doors to attic insulation according to Energy Star or Build it Green recommended levels. More detail is included in section IV below.

2. The Solar System Track

The Solar System Track makes available SEED Loans for Energy Improvements involving solar electric and solar thermal installations. Solar thermal installations can be used for domestic or commercial water heating, solar space heating and solar pool heating.

3. The Custom Measure Track

All other proposed measures follow the Custom Measure Track. These measures may include renewable energy sources (other than solar), such as wind and geothermal, as well as more complex and innovative energy management solutions and emerging technologies. The development of technologies are encouraged by the SEED Program as a means of diversifying MEA Communities' energy sources.

Applicants for the Custom Measure Track should consult MEA to determine eligibility. In some cases, the findings of national energy laboratories and nationally accredited research and testing centers will be required for SEED Program approval. In all cases, MEA reserves the right to decline funding of a custom measure.

IV. Energy Audits, Retrofits and Third-Party Verification[2]

A. Energy Audits

In order to be eligible for a SEED Loan, each property owner must have an energy audit undertaken by a qualified energy auditor. For residential properties qualified energy audits could be performed by auditors certified by Home Energy Rating System (HERS), Building Performance Institute (BPI), or Home Performance for Energy Star. For commercial properties qualified energy audits could be performed by PG&E or other

[2] This section is based on AB811 recommendations from the **California Home Energy Retrofit Coordinating Committee,** a group with representatives from the U.S. EPA, the California Energy Commission, the California Public Utilities Commission, the California Air Resources Board, Pacific Gas and Electric, Sacramento Municipal Utility District, the California Building Performance Contractor's Association, county/local governments, and non-governmental organizations, collaborating to promote Home Energy Retrofits in CA.

CPUC-sponsored energy efficiency programs. Other third party energy certifications will be considered in the future as they become available.

1. A HERs Phase II-compliant audit and rating (Whole House Home Energy Rating with test-in and test-out and combustion safety testing) shall be performed and a report written that includes a list of recommended cost-effective measures
   - To set a baseline energy score/index that will serve as a performance metric.
   - To describe baseline conditions/physical infrastructure present in the home at start of project.
   - To provide supporting documentation for the finance application and proposed performance of work.
   - To help the homeowner understand baseline conditions and the basis for the recommended options.

2. Each project financed shall achieve a minimum of 20% reduction in HERS rating without renewables via energy efficiency measures prior to financing renewable energy projects <u>or</u> the home shall achieve a score of 100 or less on the HERs Phase II Index.
   - To ensure maximum societal benefit; in nearly all cases, doing a reasonable amount of energy efficiency first achieves a greater amount of energy use cost reduction and greenhouse gas emission reduction per dollar spent than the same dollar investment in renewables. It also better ensures ancillary improvements like comfort and better indoor air quality.
   - In the case where a home is already very energy efficient, the homeowner may be eligible to access financing for renewables right away if his/her home achieves a score of 100 on the HERs Phase II Index, according to the HERs Phase II rating performed above. *Note: this requirement will be field-tested and the score adjusted as warranted. Note: Solar water heating is permissible as an energy efficiency measure, per HERS Phase II.*

B. Rater and Contractor Qualifications and Quality Assurance

1. The program shall maintain three lists of approved raters and contractors:
   - HERS-certified Raters
   - Contractors
   - BPI accredited contractors

2. All Raters shall be CEC-certified through a HERS provider in one of the following ways:
   - California Whole House Home Energy Rater, or;

- Building Performance Contractor, trained by a California Energy Commission-approved building performance training program and certified by the Building Performance Institute (BPI)

3. All Contractors must possess a valid Class B license under the California Contractors State Licensing Board and either be BPI-accredited or gain BPI-accreditation within 6 months of signing his/her first contract financed by the program.

4. There shall be a mandatory program orientation for all raters and contractors at which all raters and contractors shall sign a rater/contractor performance agreement stipulating the training, certification, accreditation, performance and quality assurance requirements for the rater/contractor.

5. Quality Assurance for work performed shall be accomplished as follows:
    - Rater – 5% of all jobs shall be third party audited
    - Contractor – 15% of all jobs shall be third party audited for quality assurance until contractor is BPI-accredited
    - BPI-accredited contractors – 5% of all jobs shall be third party audited

V. The Financial Strategy

MEA will create the SEED Program Fund which may accept funds from any available source and which may disburse such funds for the purpose of funding Energy Improvements. Loan repayments – through the property assessment mechanism – will be made to the Energy Loan Fund.

MEA initially will seed the Energy Loan Fund with a $20 million loan facility. Thereafter, the Energy Loan Fund may be funded from a number of other potential sources, and combinations of sources, which may include but are not limited to the issuance of notes, bonds, or agreements with for-profit or not-for-profit entities or public or private lenders or other governmental entities.

SEED Program Funds will then be used by MEA for additional SEED Loans and/or to establish a Reserve Fund or pay administrative costs and/or to reimburse itself for advancing moneys from other sources to the SEED Fund.

At a minimum, $10 million of the initial $20 million loan amount will be reserved for SEED Loans for residential property owners. MEA will report on penetration to the Board of Directors on a quarterly basis at a minimum, providing MEA Board of Directors with the information necessary to shift funds as it elects to do so at its sole discretion.

The County of Marin may also establish a SEED Reserve Fund if bonds are issued to cover SEED Loan payments in the event of assessment delinquencies prior to foreclosure and tax sale if deemed necessary by the MEA Board of Directors.

VI. SEED Program Parameters

1. Minimum Loan Amount

The minimum size for a SEED Loan is $5,000.

2. Maximum Loan Amount

All Energy Loans greater than $50,000 must be approved by the MEA Director. SEED Loans greater than $100,000 are not allowed unless an exemption is granted by the MEA Board of Directors.

3. Maximum Portfolio

The maximum principal amount of SEED Loans to property owners under the SEED Program is $[40] million. This may be increased by the MEA Board of Directors at its discretion.

4. Duration

SEED Loans are made available for up to 20-year terms to accommodate a wide range of efficiency measures and renewable energy investments.

5. Interest Rate

SEED Loans will be made for the initial $[20] million at an annual interest rate not to exceed [__]% for all loans. Thereafter, the MEA Board of Directors will maintain the discretion to adjust the interest rate up to an amount not to exceed 10%. The Board of Directors will determine interest rates so that the SEED Loan Fund remains financially viable up to the legal limit.

MEA will set the interest rate for a SEED Loan at the time that the MEA and property owner enter into the contractual assessment agreement.

6. Administrative Costs

MEA will offer the SEED Program as an additional service that will help property owners within the MEA Communities achieve their energy goals, while helping Marin County achieve its energy and climate protection goals. MEA will be responsible for all SEED Program marketing and outreach, as well as the administration of the SEED Program.

MEA will cover administrative costs through a [5]% administrative carve-out in the overall cost of the program. MEA may elect to cover a portion of its costs through the "spread" between its combined earnings rate, and the SEED Loan issuance rate. Similarly, it may elect to recover SEED Program costs through a spread between bond rates and loan rates, or the spread between interest rates of any financial vehicle. MEA will not charge property owners a fixed administrative fee.

Two forms of costs will be the responsibility of the property owner:

1. Title costs – including title insurance – will be shared by the property owner and MEA. This cost to the property owner will not exceed $[200][3] per SEED Loan.

2. [Assessment collection and administration costs will appear as a line item on property taxes not to exceed $[40] per property per year – and will be paid by property owners. This cost was determined after consultation with the [Marin County Assessor's Office][4].

VII. Changes to Report

The Director may make changes to this Report that the Director reasonably determines are necessary to clarify its provisions. Any changes to this Report that materially modify the SEED Program shall only be made after approval by the MEA Board of Directors.

The Director may modify from time to time the Equipment List, draft Application and draft Loan Contract attached hereto as Appendix B, Appendix D and Appendix E, respectively, as deemed necessary by the Director to effectuate the purposes of the SEED Program.

[3] To confirm.

Appendix A: List of MEA Communities

As of [DATE], 2009, the MEA Communities are:

City of Belvedere
Town of Fairfax
County of Marin
City of Mill Valley
Town of Ross
Town of San Anselmo
City of San Rafael
City of Sausalito
Town of Tiburon

Other communities eligible through the MEA Joint Exercise of Powers Agreement are:

Town of Corte Madera
Town of Larkspur
City of Novato

Appendix B: Equipment List

The SEED Program offers SEED Loans for a number of equipment types, including efficiency measures, solar systems, and other innovative, energy-saving custom measures.

Energy Efficiency Measures

The SEED Program provides services and loans for a wide range of Energy Star-rated and other efficiency measures for which property owners can get rebates as well as SEED Loans. MEA anticipates that Energy Star requirements will “ratchet up” to greater efficiency levels over time. Energy Star will also become more inclusive of technologies over time. Thus the SEED Program will evolve with Energy Star and the market for energy-efficient technologies. Other proposed efficiency measures will be considered in the Custom Measure Track.

The following measures – among others – are eligible in the Efficiency Track.

- Attic and wall insulation
- Reflective roofs and coatings
- Water heating equipment
    - Tank-style
    - Tankless
    - Central water heating system
- High Efficiency heating and cooling
- Light fixtures (no bulb-only retrofits)

Solar Equipment

Solar Track funding is available for a wide range of solar equipment. SEED Loans will be available for photovoltaic equipment and installers listed by the California Energy Commission. Solar thermal equipment must be rated by the Solar Rating Certification Council (SRCC).

Eligible solar equipment includes:

- Solar thermal systems (hot water)
- Photovoltaic systems (electricity)
    - Battery back-up systems will be allowed

Custom Measures

The MEA encourages innovation in saving energy to meet its energy-savings goals. Custom Measures will only be funded for SEED Loans if sufficient proof of energy savings is provided to MEA that the measure will reduce usage by [20][5]%. The Director reserves the right to defer funding until he/she deems the evidence is sufficient to verify this performance requirement.

The following types of measures – among others – will be considered for SEED Loans through the Custom Measure Track:

- Building energy management controls
- Irrigation pumps and controls
- Lighting controls
- Windows, doors, and skylights
- Motors and controls
- Natural gas fuel cells

"Custom Measures" may be moved into the Efficiency Measure Track in the future as determined by program staff.

[5] To Confirm.