

;/ALASKA LEGISLATURE

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HB 81 Outstanding Committee Questions

Good morning, House Finance Committee members.

There were two outstanding question on HB 81, the bill to expand eligibility for Alaska's energy efficiency loan program, from the hearing in House Finance on March 6, 2017. We spent some time digging up answers.

1. Under the new non-profit eligibility guidelines, would political parties qualify to apply for energy efficiency loans?

No. Political parties are not eligible. They're not 501(c) anything's: they're in another non-profit category: 527. Under the current language in the bill, which only allows 501(c) 3, 4, 6, 12, and 19, they do not qualify. See the wikipedia page on [non-profit designations](#) for more information.

2. By expanding the energy efficiency loan accessibility, are we competing with private lenders? Why don't nonprofits et al. get loans from private lenders to make energy improvements?

I got in touch with Katie Conway, the Government Relations Manager for the Alaska Energy Authority, since she's highly familiar with Alaska's energy efficiency landscape. To her knowledge, there are no dedicated energy efficiency loans offered by private lenders in Alaska.

While a non-profit or tribal entity could take out a general construction loan, and apply it to an energy efficiency project, the structure of the AEERLF loan program is a much better fit for these kinds of project. The AEERLF program offers loans based on savings that energy efficiency

projects can guarantee. Regular banks don't really offer loans based on guaranteed savings: they offer them based on the upfront cost of the project. As a consequence, the rates of the loan terms with a private lender, which wouldn't factor in savings from the project, are much less likely to pencil out someone thinking about doing retrofits.

In Katie's words:

"I believe the issue here is really whether or not loan terms through those readily available conventional construction loans are such that when applied to the cash flow of an efficiency project it pencils out for a building owner. AEERLP could be a more effective financing tool than a conventional loan because it is designed specifically for energy efficiency projects, which means the savings generated by the building efficiency improvements made possible because of the loan can be calculated into the project cash flow. (AHFC has a great [cash flow model](#) on their website that can show the value of considering energy savings in the cash flow analysis. Conversely, you can also see what happens to a loan's attractiveness if you do not include the expected savings in your analysis.) That isn't the case with a conventional construction loan – they don't typically consider energy savings, only the upfront cost of the project."