

Update on the Efficiency Kansas Loan Program to the House Energy & Environment Committee
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Chair Hedke and members of the committee, thank you for the opportunity to speak and give you an update on the KCC's energy loan program. In 2009, KCC received \$38,284,000 in Recovery Act funding from the Department of Energy through the State Energy Program (SEP). The bulk of this funding (over \$30 million) was allocated to the Efficiency Kansas revolving loan program.

Ultimately, 25 utilities and 18 banks and credit unions offered Efficiency Kansas to their customers. Throughout the state, 75 energy auditors provided audits and program promotion. The program made 867 loans for a total of \$5,906,737. As this money is paid back, the KCC is evaluating the options for its use in light of the ongoing federal requirements associated with these Recovery Act funds.

One of the hallmarks of the program was its commitment to the whole-house approach to energy efficiency. This framework ensured that Efficiency Kansas projects would capture the greatest energy savings for each dollar spent. Annually, these projects are projected to save 40,282 MCF of natural gas and 1,947,519 kWh of electricity, and saving participants \$523,031.92. This provides a payback for Kansas consumers of just over 11 years.

Several related programs supported Efficiency Kansas. These included providing training scholarships to auditors, distributing auditing equipment across the state for use by new auditors. In addition, the KCC implemented two promotional programs: the \$100 Audit Program provided 3,854 subsidized energy audits and the Thermal Envelope Rebate program gave 571 homeowners a \$500 rebate after they completed their project. These programs provided another \$2.5 million in incentives to homeowners and auditors.

Due to deadlines established by the Recovery Act grant, the originally allocated amount was unable to be fully spent through Efficiency Kansas, and was directed to several other projects. Two of these projects, in partnership with the Kansas Department of Commerce, were a biomethane digester at Western Plains Energy near Oakley, and support of advanced harvesting equipment for the Kansas Alliance for Biorefining and Bioenergy. Nearly \$7 million was also directed to deferred maintenance projects at the state's universities.

The KCC sought private-sector financing, and secured a \$20 million financing commitment from the private-sector. Since the signing of the new financing contract, two utilities have agreed to participate - the cities of Goodland and Horton. While remaining committed to improving residences, we have focused our efforts in these communities to provide a small business lighting program.

As you may be aware, federal lighting mandates have made many existing lighting technologies obsolete. As existing lamps and fixtures fail, business owners face sometimes costly replacements. This effort allows these businesses to make the required improvements using utility-bill financing, freeing up their existing capital from being spent responding to federal lighting mandates. Like the residential program, these projects are designed to pay for themselves through the energy savings.

At this time, all of the Recovery Act funding the Energy Division received has been expended. There are ongoing reports required each quarter for the life of the revolving loan fund, and those funds retain their original Recovery Act restrictions and requirements.

Energy Efficiency and Renewable Energy Programs at the KCC Energy Division

The KCC's Energy Division offers several programs to help Kansans implement renewable-energy and energy-efficiency projects in existing structures. As the designated State Energy Office, the Energy Division is the recipient of funds from the U.S. Department of Energy.

The **Facility Conservation Improvement Program (FCIP)** promotes and facilitates the implementation of energy-efficiency and deferred-maintenance projects in public facilities and educational institutions, using a financing mechanism called energy performance contracting. With an energy performance contract, upfront capital outlay is minimized: the guaranteed energy savings offset the costs of the improvements. FCIP projects are performed by one of the State's Energy Service Company (ESCO) partners. This turnkey program begins with an energy audit of the customer's facilities to determine where and how energy is being used. Our experienced FCIP staff advocates for the customer throughout the process, from negotiating contracts to project implementation. The technical and financial oversight provided by the FCIP ensures that customers fully understand the terms of the performance contract, minimizing worry and surprises. The FCIP has facilitated more than \$278 million in energy efficiency projects, which are savings Kansas taxpayers more than \$20 million annually. The Energy Services Coalition recognizes Kansas as the third highest investment in performance contracting, and estimates more than 3,000 job-years have been created as a result.

Efficiency Kansas was initially funded by the Recovery Act, but the loan program is continuing with private financing secured by the Energy Division in 2012. This program provides loans for energy efficiency improvements in homes and small businesses, which are paid back through the customer's utility bill. Savings are required to exceed the cost of the improvements over the term of the loan, not to exceed 15 years. Currently, the Energy Division is focusing on small business lighting loans, as a result of federal mandates rendering much existing lighting obsolete and unavailable. As these small businesses face significant capital costs to improve their lighting, Efficiency Kansas provides access to low-cost financing, with repayment on the utility bill.

The **Small Business Renewable Energy (SBRE) Program** was developed to identify the best ways to use renewable energy and energy efficiency in small businesses in rural Kansas. Students with Kansas State University will identify potential renewable energy and energy efficiency improvements in the selected businesses. To ensure the maximum benefit possible, the Energy Division selected four grocery stores (Jetmore, Minneola, Wakeeney, and Hill City) and two business incubators (Phillipsburg and Hanston). All six locations are in the Rural Opportunity Zones, established by Governor Sam Brownback. Following the assessment by KSU, the Energy Division will work with the business owners to develop a project scope, and award grants based on the project cost.