

Attachment F

Alaska Heat Smart

Position Paper on On Bill Financing (OBF) for Juneau

AHS Staff - May 5, 2023

Revised October 31, 2023



Those involved in Juneau energy efficiency work have shared goals: rapid and efficient installation of new heat pumps, satisfied users, and reductions in GHG emissions. Financing is one of the keys to achieving these goals as well as to increasing adoption of heat pumps and other energy efficiency measures. Up front financial burden is often a barrier to such progress. Alaska Heat Smart supports any program that can widen reach, reduce costs, remove barriers, and target the different users and markets for energy efficiency improvements. Such programs range from educational efforts to financial initiatives, including, but not limited to, loan enhancements, on-bill financing, incentives, direct pay, or C-PACE.

AHS data show that the average Juneau homeowner who installs a heat pump annually saves 25% to 75% (over \$1,200) on their heating bills, eliminates an average of 500 gallons of heating oil, and reduces carbon emissions by 5.5 tons. (Savings depend on existing heating infrastructure: 25-40% for resistance heated homes and 50-75% for oil heated homes.)

To achieve heat pump adoption and energy efficiency goals, AHS works to address Juneau's largest barriers:

- Lack of information - many do not know what a heat pump is or understand their benefits.
- Uncertainty - many wonder whether a heat pump will work in their home, or save them money.
- Technology gap - often complex to mesh existing heating systems with heat pumps.
- High initial cost - the up-front cost of a heat pump installation can deter or delay action.
- Limited contractor capacity - slow response times, long wait times, workforce shortages
- Split incentives - in rental properties, the renter may not benefit from investments.

AHS has prioritized an informational website and an educational home energy assessment and advisory service to address the first three of these barriers. AHS is addressing the barrier of high initial costs by offering a lower income home remediation program (Healthy Homes), a financial incentive program (Clean Heat Incentive Program), a lower income fuel-switching program (Juneau Carbon Offset Fund), low-interest loan programs with True North FCU and the Tongass FCU, and most recently, a nonprofit energy efficiency and remediation program for 501c3's across Alaska, courtesy of the Department of Energy's Renewing America's Nonprofits award of \$3.9M to AHS.

With encouragement from the CBJ Assembly, AHS has successfully obtained major grants to directly assist lower-income households. Our Healthy Homes program, supported by a \$2M HUD grant, is improving home health and energy efficiency in 90 lower income Juneau homes. AHS has developed an incentive program that will assist 185 energy-cost burdened lower to middle income households in obtaining heat pumps. Our recent \$3.9M win with the Renewing America's Nonprofits grant will bring energy improvements to Juneau nonprofits as others across the state. The barrier of split incentives

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makes rental properties the most difficult targets and AHS continues to work to find solutions amenable to both tenants and rental property owners.

Data indicate that AHS is on the right track with this multi-pronged approach. Since early 2020, AHS has directly assisted more than 1000 households, and 500 or more of them have installed heat pumps. In contrast to most energy efficiency programs across the nation, where conversion rates in the single percentages are common, AHS' rate borders on 70%. AHS efforts have helped propel heat pump adoption in Juneau to record rates, with a doubling of installations over the past three years. If these rates continue, over half of Juneau's residences could be enjoying heat pumps over the next five to ten years.

During 2021 and 2022, AHS representatives participated in the 'Clean Energy Finance Working Group' as it explored additional options for financing. AHS views on-bill financing as a useful tool to expand access to heat pumps (our initial white paper on OBF is [here](#)). AEL&P and the CBJ water/sewer utility each offer advantages and disadvantages as possible hosts for OBF. Related to OBF, AHS sees C-PACE (commercial property-assessed clean energy) as having potential to finance heat pumps and energy efficiency for rental properties or business spaces. The AHS Board believes that OBF is most likely to be successful if there is a cooperative utility, a legal and regulatory framework that allows for successful implementation, and careful integration among financing, billing, promotion, and advisory programs.

AHS views local contractor/installer capacity as perhaps the most critical limitation on more rapid heat pump implementation in Juneau, and supports growth of local businesses through long-term development of an informed and satisfied customer base. As AHS rolls out new programs for lower-income and modest income households, it will continue to compile data and test marketing strategies to identify approaches that can be applied to any future financing programs, including OBF.

The AHS Board believes that its existing program is on track to help the CBJ meet its climate, renewable energy, and affordable housing goals, though we all need better data to know how far we have to go. AHS is constantly analyzing its data and its customer interaction history to increase our awareness of what works and what does not.

AHS sees its successful information and homeowner education program as a foundation for any future heat pump financing programs in Juneau. But in light of major new projects starting up in 2023 and 2024, the Board has concluded that Alaska Heat Smart will take a measured approach to any additional programs, and cannot take a leadership role in developing an OBF program at this time. AHS will revisit this if circumstances change.