

Attachment C

TO: Dianna Robinson

RE: Response to Former City Manager Watt's memo to the Public Works and Finance Subcommittee

I was asked to respond to Mr. Watt's memo in order to clarify any misunderstandings.

Former Manager Watt may have conflated the separate issues of the On-Bill Finance facility and the Rapid Adoption Program. To clarify: On-Bill Finance is a financing mechanism that will be available to *all* installers that meet program standards. This is what the ordinance concerns. The Rapid Adoption Program is a separate program to increase the rate of heat pump adoption, and is not funded by or managed by the CBJ. *On-Bill Financing can and should exist even without the Rapid Adoption Program.*

With that clarification, we're happy to address all the concerns in this memo. Former Manager Watt's objections are in italics.

1. *Lack of nexus between energy financing and water and wastewater utility billing.*

Even if there are few loan failures, the prospect of shutting down a homeowner's drinking water (and therefore sanitation) is inappropriate and may not even be legally defensible. Energy loans should have a nexus to the energy systems and to energy providers.

Lack of nexus is not a legal argument; On-Bill Financing is perfectly legal both in terms of the 2018 legislation legalizing On-Bill Financing and the city's Home Rule status. On-Bill Financing is offered by many entities nationwide, including by the city of Fort Collins on its water bills. It is not an energy loan, as stated in the memo: it's a loan to purchase an appliance that will reduce housing costs and carbon footprint, which are both city objectives.

As is clear from other programs' experience, shutoffs are practically non-existent. Even so, it's possible to create a loan-loss reserve to cover the heat pump part of unpaid balances. Because the loan is from a 3rd party, not the CBJ, the CBJ has zero financial exposure.

2. *Equal Access to a Government Program.*

OBF proponent has suggested that the program only be available to homeowners with good credit. As a public entity, this is not defensible (private entities may make such decisions). In fact, it is people without the best credit who likely need the most help in making energy improvements.

Any CBJ program that is not free is only available to people with good credit. Juneau does not give every citizen a free Season Pass to Eaglecrest or the Swimming pool. Nor do they give free moorage.

Additionally, AHFC, Fannie Mae, the Small Business Administration and Freddie Mac are all public entities that facilitate or make loans based on people's credit.

Extending credit to people of modest means is in no way unfair to people with no credit at all. Those who don't qualify for On-Bill Financing may apply to Alaska Heat Smart or other aid programs designed for them.

3. Lack of technical support to home-owners.

In an effort to streamline costs and efforts, the proposal is to have a simple, uncomplicated heat pump installation. In my opinion, heat pump installations are and should be complicated decisions. A partial energy replacement means that owners must continue to own and maintain existing heating systems. While the one-size-fits-all might be faster for achieving climate change goals, I believe that the Alaska Heat Smart model is much better for homeowners.

This concern is about the Heat Pump Rapid Adoption Program, not On-Bill Financing.

Currently, only a minority of heat pump installations in Juneau are getting assessments from Alaska Heat Smart. The de facto situation is that installers design and price installations as they see fit, and even after receiving Alaska Heat Smart assessments homeowners are still tasked with sorting out differing bids and approaches.

The On-Bill Finance program we propose manages consumer education by devising a set of standards for financed installations. Those standards are to ensure that installers fully inform the customer of their options, do not install sub-standard units, that they issue a full warranty, meet best-practice installation standards, respond to customer service issues and are within fair pricing guidelines. These not only protect the customer, but they also help ensure a successful loan payment process.

As to partial energy replacement: we agree with Alaska Heat Smart that the homeowner should have an auxiliary source of heat for extremely cold weather. In some cases that could involve leaving the existing system in place, in others, the use of space heating.

4. Sole sourcing of one system component supplier.

Absent a good procurement process, I can't support sole sourcing one company for equipment supply (or for that matter, steering installations to one or a small number of contractors).

There is nothing sole-source about On-Bill Financing. The On-Bill Financing Program would finance *any* install by *any* installer that meets the program's standards. The Rapid Adoption Program, which is not a CBJ project, would provide one stream of installations among all the others.

Please don't hesitate to let us know if you have any other questions.