

**Testimony of Gregory McQuaide, CFO, Miller Electric Construction, Inc.  
on behalf of the National Electrical Contractors Association (NECA)**

**Before the Pennsylvania House Commerce Committee**

**Public Hearing on SB234, Property Assessed Clean Energy Program**

**April 18, 2018**

Good morning. My name is Greg McQuaide, and I am the Chief Financial Officer of Miller Electric Construction, Inc. (MEC), based in Allison Park, PA, just north of Pittsburgh. MEC is an electrical contracting company with approximately 100 employees. Most often, MEC works as an electrical subcontractor on commercial and industrial projects, specializing in lighting, power distribution, and generators. One of the projects we are currently performing is the electrical work for the remodel and new addition at the Carnegie Science Center in Pittsburgh.

I am here today representing the National Electrical Contractors Association, also known as NECA, to strongly support SB234 and to encourage you to vote Yes on the bill without amendment.

Miller Electric is a member of the Western PA Chapter of NECA, which serves 30 electrical contractors in the Western half of Pennsylvania, mostly centered around Pittsburgh, Beaver, and Erie. I am also here on behalf of the Penn-Del-Jersey Chapter of NECA, which represents over 100 member contractors in Eastern PA. We are the association of electrical contractors who partner in labor-management relationships with 14 International Brotherhood of Electrical Workers (IBEW) local unions statewide.

NECA contractors are the types of qualified construction professionals who can help commercial property owners plan and execute PACE-financed energy efficiency and clean energy projects. Working in this industry, we see the aging facilities, as well as new construction projects, that could benefit from more energy efficient systems. There is an important market for PACE projects, which will allow owners to decrease their energy consumption and utility costs, increase the value of their property, and make their facilities more desirable overall. Many owners are already looking to save on their energy bills and want to make their facilities more

comfortable and attractive with these upgrades, but they just don't have the money upfront to get these types of projects off the ground.

The opportunity to finance through a PACE property tax mechanism will be attractive to our customers for a variety of reasons. First, PACE financing will require little or no upfront capital, which is usually prohibitive for a company that often needs to use its available resources to grow the business. It will also allow them to repay the cost of the projects over a much longer period of time than a standard loan, lowering the annual repayment cost to a manageable level. Second, PACE financing allows commercial landlords to pass the cost of these updates to tenants through existing lease structures, such as a triple net lease, since the tenants themselves will reap the benefits of lower utility costs and a more efficient and desirable space. And third, since PACE loans are tied to the tax debt of the property and run with the land, property owners can be confident that if they decide to sell the property during a 10- or 20-year repayment period, the new owner will assume both the financial responsibility and the energy efficiency benefits of the PACE project.

An excellent example of a commercial PACE project performed by a NECA contractor was the Missouri Athletic Club in St. Louis—a \$2.5 million upgrade to the building's lighting, heating, and energy management systems that is expected to save between \$200,000 and \$350,000 *per year* in energy costs. There are many existing buildings in Pennsylvania that could also benefit from efficiency improvements like this—both on a large scale, like this multi-million dollar project, as well as medium- and small-sized projects. The bottom line for contractors like Miller Electric is that any size job, be it \$75,000 or \$7.5 million, will put our people to work.

What's even better about the PACE financing mechanism? We don't need to create an immense government bureaucracy or use taxpayer money to incentivize and pay for these projects. SB234 requires no use of taxpayer funds, and PACE financing is market-driven. This bill is designed so business owners, construction professionals, and private lending institutions are the primary decision-makers on the viability of a potential PACE project. The local government's role is 1.) to verify that the project meets appropriate energy saving standards and 2.) to collect and remit PACE loan payments through existing tax authorities. What we are asking from the General Assembly with SB234 is only to authorize counties or municipalities to establish Commercial PACE programs, if they decide PACE is right for their community.

You should vote Yes on SB234 because it will be good for both large and small communities throughout Pennsylvania. It will increase property values and decrease energy consumption, and these programs will facilitate job opportunities for companies like Miller Electric Construction, so we can put more electricians, project managers, engineers, estimators, and other staff to work.

## **IBEW/NECA Team on Largest PACE Clean Energy Project**

**AUG 17, 2015**

*IBEW/NECA in St. Louis Teaming To Deliver Electrical Upgrades In Nation's Largest PACE Clean-Energy Project Kaemmerlen Electric Managing Electrical Work in the \$2.4 Million Energy Improvements to the Historic Missouri Athletic Club in St. Louis.*

ST. LOUIS – All eyes are on an innovative way of funding energy efficiency improvements to aging structures as IBEW/NECA team to help make the historic Missouri Athletic Club more energy efficient.

The \$2.4 million project is being financed through Set the Pace (Property Assessed Clean Energy) St. Louis and is the largest of its kind in the nation this year. St. Louis-based Kaemmerlen Electric is managing the electrical upgrades. Kaemmerlen is part of the Electrical Connection, a partnership of the International Brotherhood of Electrical Workers (IBEW) Local One and the St. Louis Chapter of the National Electrical Contractor Association.



PACE provides financing for energy efficiency and renewable energy upgrades which can be spread out for up to 20 years so annual loan payments are offset by energy savings. According to Byron DeLear of Energy Equity Funding LLC, which administers the Set the PACE St. Louis program, MAC's cost savings from the improvements would begin at about \$200,000 annually and could total \$362,000 by year 20. Set the PACE St. Louis was launched in 2013.

"The skills of the IBEW/NECA team give the MAC the best opportunity to reap the full cost saving benefits of the PACE program," said DeLear. "This includes greater long-term property

value.” The improvements to the MAC will include energy management controls, HVAC upgrades, high-efficiency lighting, and new on-site steam generation.

The MAC’s downtown location at 405 Washington was built in 1916 and is now is listed on the National Register of Historic Places. “Given the number of historic and aging structures in St. Louis, we believe the PACE program is a great asset to the city of St. Louis’ sustainability plan and something our highly skilled workforce can deliver outstanding results,” said Frank Jacobs, business manager, IBEW Local One.

“One of the biggest barriers to energy efficient improvements is upfront financing,” added Doug Martin, executive vice president, St. Louis Chapter, NECA. “PACE provides a sensible way to spread out costs and make best use of the financing by engaging our NECA electrical contractors’ proficiencies in engineering and managing energy efficient upgrades, including renewable energy.”

Nationally, commercial PACE programs are found in more than 30 states, where 330 property owners have used more than \$123 million in PACE financing to upgrade their buildings, according to PACENow, a national PACE advocacy organization.

“We continue to seek out progressive partners, such as the PACE program, to leverage the skills and safety of our IBEW/NECA team to deliver the best value in new construction and renovations,” said Jim Curran, executive vice president, Electrical Connection.

Members of the Electrical Connection provide safe and reliable electrical construction, maintenance, repair and replacement services across Missouri, the nation and the world. Find a contractor near you in the Electrical Connection contractor database.

<https://www.necanet.org/about-us/news/news-release-archive/news/2015/08/17/ibew-neca-team-on-largest-pace-clean-energy-project>