House Commerce Committee
Regarding Commercial Property Assessed Clean Energy
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Good morning Chairman Ellis, Chairman Thomas, and members of the committee. I am Julian Boggs, Policy Director for the Keystone Energy Efficiency Alliance, or KEEA. Thank you for allowing me to speak today on the important issue of commercial property assessed clean energy, also known as C-PACE.

First, a brief introduction of my organization. KEEA is a Pennsylvania-based trade association representing the energy efficiency industry. Our members represent a broad swath of companies and associations engaged in the energy efficiency industry, including engineering firms, energy efficiency service providers, energy consultants, software developers, equipment manufacturers, distributors, and large energy users.

KEEA supports SB 234 because it will help to further grow the energy efficiency industry by lowering barriers that prevent commercial property owners from making energy efficiency investments. I'd like to focus my remarks on two major points regarding the benefits of Commercial Property Assessed Clean Energy.

First, investments in energy efficiency benefit the communities more broadly.

- Pennsylvania has 62,000 jobs in energy efficiency, according to a 2017 survey from the US Department of energy. These jobs include a broad array of professionals such as electricians, engineers, trained technicians, financial analysts, construction workers, facility managers, software developers, and other specialists. Every county in the commonwealth boasts energy efficiency jobs.
- When Pennsylvania businesses lower their energy demand through conservation, electric rates are lowered for everyone because the need for more expensive energy generation is avoided. These "avoided costs" were a major contributor to $6.4 billion in benefits that efficiency programs delivered to Pennsylvania ratepayers from 2009 to 2016, according to the Public Utility Commission.
- Additionally, investments in energy efficiency reduce strain on the electric grid, increase resilience, and cut pollution from energy production.

Second, energy efficiency is a no-brainer, but C-PACE is needed to overcome market barriers to energy efficiency financing.

- Despite the clear economic value of energy efficiency, energy waste is all around us: a 2015 study by the Public Utility Commission found that existing cost-effective technologies could reduce energy use 19% by 2025. Given the economic incentive to save energy, why does this energy waste exist at all? A major factor is that our markets are not fully optimized for cost-effective energy efficiency investments.
- C-PACE addresses market barriers to energy efficiency investments by facilitating a transaction between private actors: *commercial property owners*, who want to make energy efficiency or clean energy improvements to their property; and *capital providers*, who want to invest in energy improvements for commercial properties.

To illustrate more specifically why C-PACE is needed, I'd like to share two examples of how market barriers obstruct commonsense energy efficiency investment, and how CPACE helps to overcome those barriers.

- **Example 1 – A commercial company may be unable to access traditional capital.** For example, a hypothetical company, PA Mechanical, wants to invest $100,000 in a new boiler, HVAC system, and solar panels to generate on-site energy, but their balance sheet can't support a $100,000 capital expenditure. Moreover, that capital expenditure would have to compete with other necessary investments, like replacing aging equipment. A 20-yr C-PACE loan tied to the property (not the individual or business) could generate immediate positive cash flow through reduced energy costs. C-PACE capital providers will make that loan based on the property tax payment history and the value of the energy investment, not the particulars of PA Mechanical's business or the its owner's credit.

- **Example 2 – The payback period for an energy efficiency investment may extend across multiple property owners.** In many segments of commercial real estate, it isn't uncommon for properties to turn over every three to five years. While many lighting projects pay for themselves over 2 years, deeper energy retrofits that achieve major savings in heating and cooling in particular may take much longer to pay back. If Property Owner John Doe may sell his property in five years, he wouldn't want to make a 7 to 10-year investment in the property, even though he might be wasting thousands each month with inefficient heating and cooling. C-PACE loans attach to the property, and responsibility for repayment falls to the new owner – the person who is receiving the monthly energy savings.

Before I close, I'd like to make a few clarifying points about what C-PACE is and isn't:

- C-PACE is a financial product for owners of commercial properties that is already enabled in over 30 states.
- C-PACE is an economic development tool for local governments to spur local investment and create local jobs, and to encourage more efficient use of energy and local energy production.
- C-PACE is NOT mandatory for any party.
- C-PACE is NOT a subsidy for a particular energy resource, nor cost to the state or for any local government that doesn't expressly opt in.
- C-PACE is NOT applicable to residential properties. Residential PACE, or R-PACE, is a separate financial product, with different risks, scale, and regulatory framework. R-PACE should be considered on its own merits, and KEEA would oppose amendments to add R-PACE to this bill.

In sum, KEEA recommends to the committee passage of SB 234, as a win-win for jobs, economic investment, and public benefit, with no cost to the state. Thank you for your time. I am more than happy to take questions.