

ENERGY EFFICIENCY: Del. creates utility fund for public building retrofits (Thursday, October 20, 2011)**Gayathri Vaidyanathan, E&E reporter**

An alternate financing scheme for energy efficiency projects in Delaware will issue bonds of up to \$70.2 million for renovating public buildings.

A Sustainable Energy Utility (SEU) operates differently from traditional utility companies in that its mandate is to create a market for energy efficiency and renewable energy projects. It does so by issuing bonds to fund these as infrastructure investments ([*ClimateWire*](#), Feb. 11, 2010).

The first SEU was set up by the state of Delaware in 2008, and recently expanded into Washington, D.C. ([*Greenwire*](#), Sept. 28). The model was also endorsed by the Asian Development Bank in a communiqué in March, which stated that several countries in Asia are considering the financing model.

"Asia's growing so fast and is putting new structures in so fast, if you put in poor performing new structures, you are going to have 30 or 50 years of inefficiency," said John Byrne, a professor of climate policy at the University of Delaware and co-chairman of the SEU. "So this is the right time to get in with a fast growing society to build an infrastructure of efficiency and renewability. That is the reason why ADB promoted this model at the forum."

Although the Delaware SEU also aims for energy efficiency in homes and private businesses, its major collaboration is with state agencies, where it retrofits public buildings with newer appliances, better windows, insulation and the other paraphernalia of efficiency.

The retrofitting is treated as a public works project and the SEU issues bonds to fund these. The SEU then hires outside contractors to retrofit the buildings. In Delaware, the Department of Correction, Delaware State University and other public institutions have signed up. They will pay back SEU from the savings on

utility bills over many years.

There is little risk because the buildings are state-owned and they are unlikely to default on their payments to the SEU. The bonds recently got a AA+ rating from Standard & Poor's Ratings Service. Citi has agreed to underwrite the bonds for \$70.2 million, again noting that there is little risk of default.

The SEU's home and personal business arm does not come under this bond issue, placing the larger goal of retrofitting private homes further away. This is because the risk of homeowners defaulting on their payments is greater, making it unlikely that any bond issue will have a high rating.

A unique market mechanism will be needed for homeowners because energy efficiency projects are highly fragmented and decentralized, spread out over many homes and firms servicing them, said Bruce Schlein, vice president of corporate sustainability at Citi.

So far, funding for energy efficiency rebates and other homeowner perks under the Home Performance with Energy Star and Efficiency Plus Business Programs have come from federal stimulus funds and state-level funds. These programs proved extremely popular and were suspended in September after too many people signed up for the rebates, as reported first in *The News Journal* ([*Greenwire*](#), Sept. 23).

Schlein said that the Delaware SEU was unique because the agency created a standard contract for all the energy service companies (ESCOs) it dealt with. In doing so, it ensured that all the ESCOs guaranteed reduced energy usage with their retrofits.

Byrne said energy efficiency should be a priority globally due to climate change.

"While it sometimes becomes a worry to talk about climate change and things of that kind, I think the climate risk is real," Byrne said. "We think there is a way to pursue the energy and climate agenda together and to make these work on economic grounds."

CEEP Note: The reporter incorrectly quoted Dr. Byrne regarding climate change. The correct quote is: "While some worry about the accuracy of claims about climate change, I think the climate risk is real."