



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members
From: Nathan Lavery, Fiscal Analyst
Date: April 18, 2014
Subject: Grant/Position Requests

Enclosed please find three (3) items that the Joint Fiscal Office has received from the administration. One (1) limited service position is associated with these items.

JFO #2677 – \$2,543,490 grant from the Federal Emergency Management Agency (FEMA) to the Vermont Department of Public Safety. These funds will provide assistance for emergency work and the repair/replacement of facilities damaged during the December 2013 ice storm in Caledonia, Chittenden, Essex, Franklin, Grand Isle, Lamoille and Orleans Counties.
[JFO received 04/10/14]

JFO #2678 – \$150,000 grant from the Vermont Low Income Trust for Electricity, Inc. (VLITE) to the Vermont Public Service Department. These funds will support credit enhancements that lower the cost of financing residential thermal energy efficiency upgrades. The credit enhancements may take the form of loan loss reserves, interest rate buy downs, loan guarantees, or a combination of these options.
[JFO received 04/10/14]

JFO #2679 – \$225,000 grant from Fletcher Allen Health Care to the Department of Health (VDH). This grant will fund **one limited service public health dental hygienist position**.
[JFO received 04/17/14]

Please review the enclosed materials and notify the Joint Fiscal Office (Nathan Lavery at (802) 828-1488; nlavery@leg.state.vt.us) if you have questions or would like an item held for legislative review. Unless we hear from you to the contrary by May 2 we will assume that you agree to consider as final the Governor's acceptance of these requests.

State of Vermont
 Department of Finance & Management
 109 State Street, Pavilion Building
 Montpelier, VT 05620-0401

[phone] 802-828-2376
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Agency of Administration

JFO 2678

**STATE OF VERMONT
 FINANCE & MANAGEMENT GRANT REVIEW FORM**

Grant Summary:		Financial support to provide credit enhancements to lower the cost of residential thermal energy efficiency upgrades.			
Date:		4/4/2014			
Department:		Public Service Department			
Legal Title of Grant:		Vermont Low Income Trust for Electricity, Inc. (VLITE) - Thermal Energy Finance Pilot Program			
Federal Catalog #:		N/A			
Grant/Donor Name and Address:		Vermont Low Income Trust for Electricity, Inc. (VLITE), Essex Junction, Vt.			
Grant Period:		From: 4/15/2014		To: 6/30/2015	
Grant/Donation		\$150,000			
	SFY 1	SFY 2	SFY 3	Total	Comments
Grant Amount:	\$150,000	\$	\$	\$150,000	
Position Information:		# Positions	Explanation/Comments		
		0			
Additional Comments: This is a VLITE investment from the dividends derived as a 38% shareholder of VELCO and pursuant to the Public Service Board's order approving the CVPS-GMP merger in June 2012.					
Has Vantage budget detail been reviewed and reconciled?		<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	DJ 4/4/14 (Analyst Initial)	
Department of Finance & Management				4/7/14 (Initial)	
Secretary of Administration				2/20/14 (Initial)	
Sent To Joint Fiscal Office				Date 4/8/14	

RECEIVED
 APR 10 2014
JOINT FISCAL OFFICE



APR 04 2014

STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION				
1. Agency:				
2. Department:	Public Service Department			
3. Program:	Planning and Energy Resources Division - Thermal Energy Finance Pilot Program			
4. Legal Title of Grant:	Vermont Low Income Trust for Electricity, Inc. - Thermal Energy Finance Pilot Program			
5. Federal Catalog #:	NA			
6. Grant/Donor Name and Address:				
Vermont Low Income Trust for Electricity, Inc.				
7. Grant Period:	From:	4/15/2014	To:	6/30/2015
8. Purpose of Grant:				
Provide financial support for credit enhancements that lower the cost of financing residential thermal energy efficiency upgrades				
9. Impact on existing program if grant is not Accepted:				
Not accepting this funding will reduce the amount of money PSD can offer to support loans to residential homeowners seeking to weatherize their homes and upgrade to high efficiency heating equipment. With fewer loans, financial institutions will not obtain sufficient market data to characterize the risk for lending into this market, and may not undertake such loans on their own. Accepting the funds will augment the ability of the State of Vermont to achieve the goals of the Comprehensive Energy Plan.				
10. BUDGET INFORMATION				
	SFY 1	SFY 2	SFY 3	Comments
Expenditures:	FY	FY	FY	
Personal Services	\$	\$	\$	
Operating Expenses	\$	\$	\$	
Grants	\$150,000	\$	\$	Cash to support
Total	\$150,000	\$	\$	credit enhancement
Revenues:				
State Funds:				
Cash	\$	\$	\$	
In-Kind	\$	\$	\$	
Federal Funds:				
(Direct Costs)	\$	\$	\$	
(Statewide Indirect)	\$	\$	\$	
(Departmental Indirect)	\$	\$	\$	
Other Funds:				
Grant (source VLITE)	\$150,000	\$	\$	
Total	\$150,000	\$	\$	
Appropriation No:	22400000000	Amount:	\$150,000	
	Fund: 21698		\$	
			\$	
			\$	
			\$	

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STATE OF VERMONT REQUEST FOR GRANT (*) ACCEPTANCE (Form AA-1)

		\$
		\$
	Total	\$150,000


PERSONAL SERVICE INFORMATION

11. Will monies from this grant be used to fund one or more Personal Service Contracts? Yes No
 If "Yes", appointing authority must initial here to indicate intent to follow current competitive bidding process/policy.
 Appointing Authority Name: Christopher Recchia Agreed by: _____ (initial)

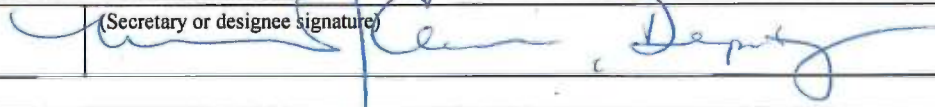
12. Limited Service Position Information:	# Positions	Title
Total Positions		

12a. Equipment and space for these positions: Is presently available. Can be obtained with available funds.


13. AUTHORIZATION AGENCY/DEPARTMENT

I/we certify that no funds beyond basic application preparation and filing costs have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant, unless previous notification was made on Form AA-1PN (if applicable):	Signature: 	Date: 4/4/14
	Title: Commissioner	
	Signature: _____	Date: _____
	Title: _____	

14. SECRETARY OF ADMINISTRATION

<input checked="" type="checkbox"/> Approved:	(Secretary or designee signature) 	Date: 04/7/14
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15. ACTION BY GOVERNOR

<input checked="" type="checkbox"/> Accepted	(Governor's signature) 	Date: 4/8/14
<input type="checkbox"/> Rejected		

16. DOCUMENTATION REQUIRED

Required GRANT Documentation	
<input checked="" type="checkbox"/> Request Memo	<input type="checkbox"/> Notice of Donation (if any)
<input type="checkbox"/> Dept. project approval (if applicable)	<input type="checkbox"/> Grant (Project) Timeline (if applicable)
<input type="checkbox"/> Notice of Award	<input type="checkbox"/> Request for Extension (if applicable)
<input checked="" type="checkbox"/> Grant Agreement	<input type="checkbox"/> Form AA-1PN attached (if applicable)
<input checked="" type="checkbox"/> Grant Budget	

End Form AA-1

(*) The term "grant" refers to any grant, gift, loan, or any sum of money or thing of value to be accepted by any agency, department, commission, board, or other part of state government (see 32 V.S.A. §5).

I N T E R

O F F I C E

PSD MEMO

VT Public Service Department, Planning and Energy Resources Division

APR 04 2014



To: Christopher Recchia, Commissioner
From: Edward Delhagen, Energy Program Specialist
Subject: Grant to PSD from Vermont Low Income Trust for Electricity, Inc.
Date: April 4, 2014

The department is developing the *Thermal Energy Finance Pilot Program* (TEF Pilot) intended to spur lending to Vermont homeowners for thermal energy upgrades. The program's Request for Proposal released in March identifies \$670,000 of funding that will be used to support credit enhancements at one or more financial institutions that will work with Vermont fuel dealers, building performance contractors and Efficiency Vermont. Through participation with this group known as the Efficiency Excellence Network, qualified homeowners will be eligible for loans for high efficiency furnaces, wood pellet boilers, heat pumps, solar thermal heating systems, insulation, air sealing, and window and door replacements.

VLITE has agreed to contribute resources towards establishment of this program. The \$150,000 available from this VLITE grant will complement the department's contribution. We anticipate that the combined credit enhancements will facilitate \$6 million in affordable loans at a 10:1 ratio. The credit enhancements may take the form of loan loss reserves, interest rate buy downs, loan guarantees or a combination of these.

The target audience for loans includes all Vermonters with a preference for lower and middle income customers not currently served by the Weatherization Action Program or existing energy loan programs. One key feature of the program is the potential to work with financial institutions and fuel dealers to explore the prospects for On-Bill Repayment models that would work in the context of non-regulated fuels.

PSD requests approval from the Administration to receive the \$150,000 grant funding from VLITE to augment the pool of funding available for credit enhancements under the TEF Pilot Program. Attached are the requisite administrative forms. Please contact me if you need any additional information or have any questions.

Attachment "B"
Background Information on the
Vermont Thermal Energy Finance Pilot Program
(TEF Pilot)

The State of Vermont has a goal of improving the thermal efficiency of 80,000 homes by 2020. The Vermont Public Service Department (PSD) and its Clean Energy Development Fund (CEDF) seek to engage one or more financial institutions to develop the *Vermont Thermal Energy Finance Pilot Program* (TEF Pilot). The TEF Pilot seeks to demonstrate the ability of a new energy service provider/finance model to accelerate the number of residential thermal energy upgrades in the state.

This pilot program will provide an opportunity for one or more private lenders to initiate new—or to expand their existing—lending activities to homeowners or multi-unit occupants for thermal energy upgrades. This initiative will help fuel dealers and energy contractors participating in the Efficiency Excellence Network (EEN) to gain greater access to private financing for their customer's home thermal efficiency retrofits. The result will be increased rates of investment in thermal efficiency, decreased energy usage in Vermont, and greater confidence among financial institutions leading to more participation in this market segment.

Through cooperation between lenders, Efficiency Vermont and EEN fuel dealers and contractors, the pilot aims to reduce risks associated with financing home thermal energy upgrades to increase market penetration. To spur participation, the Public Service Department and Vermont Low Income Trust for Electricity will support credit enhancements offered by one or more finance institutions selected through a competitive Request for Proposals (RFP) to help them lower their risks while generating performance data for this market. As lenders gain confidence with new thermal efficiency products, services and vendor arrangements, we expect a transition to self-supporting finance.

Key actions necessary to launch the new loan pilot include the following (Funding from VLITE will support a subset of these activities):

1. Identify through competitive solicitation following standard state procedures one or more qualified financial institutions (FIs) with the capability to make loans for thermal energy improvements to residential structures in the State of Vermont.
2. In conjunction with program partners, determine the specific residential thermal energy improvements eligible for financing under the TEF Pilot, establish the process for enrolling home owners in the loan program, and coordinate all necessary steps culminating with closing of loans.
3. Establish terms and conditions with the select FIs detailing the type of credit enhancement(s) to be employed, interest rates and tenors for loans made under the program, eligibility criteria for loan applicants, requirements for use and distribution of credit enhancements, and other details as needed.

4. Upon completion of all program design parameters with select FIs and program partners, establish the appropriate procedures for tracking encumbrances against each source of funding and deploying the chosen credit enhancements.
5. Deposit funding from the VLITE, PSD and CEDF into the appropriate accounts to create the credit enhancements for residential loans under the TEF Pilot Program.
6. Depending on the specific type of credit enhancements ultimately adopted under the TEF Pilot, administer all funds (VLITE and State) in accordance with programmatic terms and conditions.
7. In the case of TEF Pilot loan default leading to a claim, PSD coordinates with the relevant financial institution on the release of funds according to the TEF Pilot Program's established terms and conditions.
8. Evaluate program results and provide a Final Report to the Vermont State Legislature during the 2015 session sharing the findings from the Thermal Energy Finance Pilot Program such as loan participation rates, projected energy savings, relevant financial metrics and conclusions regarding the use of credit enhancements to spur thermal energy lending by private financial institutions in the state.

Thermal Energy Finance Pilot Program – Schedule

ACTIVITY	DATE
Deadline for proposals from financial institutions to participate in the TEF Pilot	April 4, 2014
Proposal review and finalist(s) selection; Award negotiations with finalist(s)	April to May, 2014
Finalize program design parameters and form of credit enhancement(s) with selected financial institutions and program collaborators; Establish credit enhancement accounting and dispersal procedures, and relevant accounts	Spring 2014
Announce new loan program via multiple channels	Summer, 2014
Initiate loan in-take and processing; close residential loans; track loan performance	Summer 2014 thru Winter 2015
Evaluate TEF Pilot Program performance, Draft report on TEF Pilot Program; Issue Final Report to Vermont Legislature	Spring 2015
Final program reporting to VLITE	Summer 2015