

## Talking Points – Call with Mike Bloomberg

February 5, 2013

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### **Bottom Line**

- You're calling to ask for a grant of "about \$500,000" from the Bloomberg Philanthropies, to hire a consultant to develop the business case for a major new public-private residential energy-efficiency program in SC.

### **Energy in South Carolina**

- SC is 18th in per-capita energy use, due to high demand for A/C, the general reliance on electric heat, and the aging, energy-wasting housing stock here.
- SC is 49th in per-capita income, so this wasted energy is not only terrible for the environment, but also a serious financial burden for families struggling to make ends meet.
- 40% of the electrical energy generated in SC comes from coal. These emissions pose a health risk and a risk to economic development in SC. The Obama Administration is unlikely to allow these facilities to increase their capacity, so if businesses are to grow here, then we need to reduce demand for energy among existing users.

### **Where We Stand Today**

- Your budget/policy guy has been working with a broad range of stakeholders that includes the investor-owned utilities, the co-ops, the state-owned utility, the environmentalists and others, to outline a plan for a revolving loan fund that would finance residential energy-efficiency projects.
- There is clearly buy-in from the major players, along with the small number of legislators who have been briefed on the concept so far.
- What is missing is a thoughtful, in-depth analysis – from an independent and respected source – of how such an initiative could be implemented. There are countless statutory, regulatory, financial, and other complex questions to tackle.
- We don't have the capacity in-house to dive into those issues and develop a business case for this project in a reasonable time frame. Certain opinion-shapers and legislators would also question the independence and legitimacy of our analysis.
- If this project is to move forward, we need that business case and the associated research and analysis. This document could help to drive the conversation, and also finally give the key players something tangible to respond to. How can we design this program in order to give it the greatest chance of success?

### **Your Ask**

- You're seeking "about \$500,000" to pay a consultant (McKinsey?) for the research, analysis, and development of the business case. Although you're the one asking, if he agrees to a grant, we would likely request it through a 501(c) or some other entity instead of through the Governor's Office proper, just because of all the paperwork and compliance headaches of doing it directly through the office. Liberty Fellowship is a candidate, for instance.
- You're looking for outside help because (1) the environment agency isn't under your direct control and (2) you don't control the backoffice in SC. These are significant obstacles to moving forward quickly on your own.

### **The Concept**

- A revolving loan fund, jointly capitalized by the state and the public and private utilities, would make small loans for residential energy-improving projects. The energy savings would be sufficient not only to service the loan, but also to return a few dollars each month to the ratepayer.
- The program could be administered by a new state authority, a public-benefit corporation, or through some other model. The initial capitalization would likely be \$50-100 million.
- Loans would likely average around \$6,000 (duct sealing, insulation, thermostat, windows, refrigerator) and be repaid over 10-15 years.
- We expect to use "on-bill repayment." The repayment of the loan would be integrated into the monthly energy bill to reduce hassle but also so that ratepayers can see their savings at the same time. The obligation to repay the loan would be attached to the meter – the loan wouldn't need to be repaid upon a sale of the property.

### **Why Him?**

- "Environment" and "Government Innovation" are 2 of the 5 major areas of focus for his philanthropic interests. This fits cleanly into both categories.
- A thoughtful and comprehensive business case would not only serve as a stepping stone for our initiative in SC, but could also serve as a roadmap he could distribute to support other states' energy-efficiency programs.
- He has the ability (and temperament?) to make a decision quickly, without a tedious and prolonged application and vetting process. We want to get to work.
- You keep getting nagged by your budget/policy guy, who was Ed Rendell's Secretary of Administration when Rendell and Bloomberg launched Building America's Future together. Like infrastructure, energy efficiency is an issue where folks all over the political spectrum can come together to find a way forward.