GJGNY Advisory Council Meeting

May 13, 2016

Principles

Three principles need to be maintained. The program should:

- Preserve On-Bill Recovery loans
- Preserve access to funding for all market segments
- Focus attention on access for households which otherwise lack access

- What customers and contractors/installers see has to be simple and manageable [New]

Summary of Discussions to Date

Discussions to date have explored structures that meaningfully reduce RGGI cash needs, mainly through exploring interest rate increases for households with better access to alternatives

Discussion last time centered on:

- Funds availability
- Tiers (2 or 3, or 5) and interest rates for each
- Needs and priorities for each segment

Next steps at the conclusion of our last meeting

Run the numbers with two income groups – less than and greater than 120% AMI	Analyzed, but more tiers allows us to serve groups better while managing cash needs
Explore the short-term option for the PV bridge loan (bridge to the income tax refund.)	Not attractive – adds complexity; duplicates 3rd party solutions already available
Consider the third tier (i.e. secured loan) option	Not attractive – adds complexity; nominal impact on overcollateralization
As a group, the Advisory Council should discuss transition timing, so far estimated at between 60-120 days	Discussion still necessary, proposal for approximately 90 days (to September 1)

NEW YORK STATE OF OPPORTUNITY. NYSERDA

Proposed Interest Rates

- <80% AMI remains at 3.49%*
- >80 -120% AMI 4.99%*
- >120% AMI Tier2 5.99%*
- >120% AMI Tier1 EE loans 6.99%*
- > 120% AMI Tier1 PV/other** loans 7.99%*

* Smart Energy Loan rate .5% higher if consumer does not elect ACH repayment (no change from current approach)

** Includes Solar Thermal, Renewable Heat NY, and combined EE/PV loans

Rationale:

- Subsidized rates for LMI consumers
- Tier2 >120%AMI supports somewhat higher rates for these households without ready access otherwise
- Rates minimize overcollateralization for higher income consumers with ready access

<u>Other</u>

- Exploring change to PV cost effectiveness to include utility rate escalation factor and evaluate over term of loan (like EE) rather than first year
- Review potential to lower interest rates for individual LMI/Tier2 projects if the interest rate impacts cost effectiveness

NEW YORK STATE OF OPPORTUNITY. | NYSERDA

Analysis of Changes

Component	Loans Issued FY15-16	Projected Loans FY16-17	% of Total	RGGI$ Business as Usual (3.49%	% of Total	RGGI$ With Proposed Changes	% of Total
<80% AMI	$13.7	$16.0	16%	$8.0	19%	$8.0	28%
81-120% AMI	$17.2	$24.2	24%	$12.0	28%	$10.7	38%
> 120% AMI	$49.0	$61.3 *	60%	$22.3	53%	$9.8	34%
Total	$79.9	$101.5	100%	$42.3	100%	$28.5	100%
Tier 1	$65.5	$81.5	80%	$22.3	53%	$8.5	30%
Tier 2	$14.4	$20.0	20%	$20.0	47%	$20.0	70%
Total	$79.9	$101.5	100%	$42.3	100%	$28.5	100%

Focuses RGGI$ to support LMI consumers and Tier2 loans

Estimated funding ($28.5M) slightly higher than level projected to available from RGGI funds (< $27M)

* Assumes 20% reduction in Tier1 from trend resulting from higher rate.

Timing

- Implement changes for credit applications received on or after September 1, 2016
- Review effect of changes in April 2017
  - Loan volumes, whether and how interest rate changes have affected these
  - Level and quality of alternative solutions as anticipated
  - Impact on cost effectiveness results, whether new rates materially change access
  - Other

Next steps

- NYSERDA to communicate with other stakeholders beyond Advisory Council by May 20
- Communicate with consumers with pipeline approvals
- By May 23 send announcement of plan to implement interest rate changes to contractors, installers & CBOs

Appendix

	EE						PV						Total
	Tier 1			Tier 2			Tier 1			Tier 2			
Loans Issued	<80%	80-120%	>120%	<80%	80-120%	>120%	<80%	80-120%	>120%	<80%	80-120%	>120%	Total
FY 15-16	$5.4	$5.1	$14.1	$3.2	$2.0	$1.9	$3.3	$7.4	$30.2	$1.8	$2.7	$2.8	$79.9
FY 16-17 Projection based on Trend	$7.5	$6.6	$15.8	$3.5	$2.1	$2.0	$3.3	$10.1	$51.7	$1.7	$5.4	$5.3	$115.1
Assumed reduction from rate increase			-20%						-20%				
-17 Adjusted projection	$7.5	$6.6	$12.6	$3.5	$2.1	$2.0	$3.3	$10.1	$41.4	$1.7	$5.4	$5.3	$101.5

<u>GJGNY Financing of FY16-17 Projected Loan Issuance</u>

	<u>Rate</u>															
Overcollateralization$	3.49%	$1.8	$1.6	$3.0	$3.5	$2.1	$2.0	$1.0	$2.9	$12.0	$1.7	$5.4	$5.3	$42.4	Total	
for Tier1; Funding	4.99%	$1.1	$1.0	$1.9	$3.5	$2.1	$2.0	$0.7	$2.2	$9.1	$1.7	$5.4	$5.3	$36.2	$28.5	
Required for Tier2	5.99%	$0.7	$0.6	$1.1	$3.5	$2.1	$2.0	$0.5	$1.6	$6.6	$1.7	$5.4	$5.3	$31.3		
	6.99%	$0.2	$0.2	$0.4	$3.5	$2.1	$2.0	$0.4	$1.1	$4.5	$1.7	$5.4	$5.3	$26.9	Reduction	Amount
	7.99%	$0.0	$0.0	$0.0	$3.5	$2.1	$2.0	$0.2	$0.5	$2.1	$1.7	$5.4	$5.3	$22.9	-10%	$28.8
	8.99%	$0.0	$0.0	$0.0	$3.5	$2.1	$2.0	$0.0	$0.0	$0.0	$1.7	$5.4	$5.3	$20.1	-20%	$28.5
	9.99%	$0.0	$0.0	$0.0	$3.5	$2.1	$2.0	$0.0	$0.0	$0.0	$1.7	$5.4	$5.3	$20.1	-40%	$27.9

NEW YORK STATE OF OPPORTUNITY. | NYSERDA