CASE STUDIES FROM THE GREEN COLLAR ECONOMY

Alliance for Affordable Energy
Energy Smart Program
New Orleans, LA

The Alliance for Affordable Energy is a 23 year old New Orleans based non-profit organization that has been building a municipal energy efficiency program design for several years, ultimately resulting in creation of the Energy Smart program. New Orleans has an advantageous regulatory environment because they have an investor-owned utility but regulatory authority is held by the City Council, while the rest of the state is regulated by the Louisiana Public Service Commission. The Energy Smart initiative was unanimously approved by the Council in July 2008, though language for funding the program through a systems benefit fund was removed following heavy pressure by the utility. Subsequently, $1.85 million was allocated as seed funding and the systems benefit funding of $9.3 million was approved as part of the current rate case, to be expended over the next three years. Aggressive efforts by the utility to control the funding presents a serious risk to the program design and raises the issue of program continuity beyond the first three years.

This case study is current as of May 2009. For more information, visit http://www.all4energy.org or contact Forest Bradley-Wright, forest@all4energy.org.

Timeline	Energy Smart will ideally be launched in late 2009 or early 2010 and is meant to continue being operational year after year.
Region	Energy Smart will serve the City of New Orleans.
Objective	The goal of Energy Smart is to address the widespread need for improving the energy performance of our old and inefficient housing stock while supporting the establishment of a permanent energy efficiency marketplace. There is a breakdown in education and initial employment opportunity for low-income young people in New Orleans. The Alliance seeks to ensure that these barriers are removed by providing the opportunity to learn professional energy efficiency skills and develop quality long-term careers that support community economic development and improve the environment. As a result, in addition to policy development and consumer education, the Alliance for Affordable Energy is training at-risk youth in basic energy efficiency work such as auditing, insulating, weather-stripping, installing radiant barrier in attics, replacing light bulbs, wrapping hot water heaters, and changing faucets and showerheads. They are in their fourth cycle of 14-week programs

	with 24 participants currently enrolled.
Partners/Allies	As originally conceived, Energy Smart would be governed by an independent governing board, and a third-party administrator would be selected through an RFP. However, due to the rate case outcome, the program will now be controlled by the utility company with a third-party administrator selected through RFP, and monitored by the City Council.
Constituents	Energy Smart is designed to be available to anyone. Because the cost of paying off the improvements over time is less than what the resident was paying before and there are no up-front costs, residents of all income levels will be able to participate.
What is the source of capital/financing?	As planned, Energy Smart will initially draw on four sources of funding: 1) $1.85 million from previous interstate overcharges within the system agreement, 2) $9.3 million allocated through the current rate case for expenditure over the next three years, 3) federal stimulus dollars, and 4) private capital financing.
What is the payback mechanism?	As originally designed, a public benefit fund would pay for $3 million a year in administration and programmatic expenses, while serving as a base to attract private capital financing. An auditor would identify improvements for participating customers that would have the most return on investment with a 5-7 year payback. The program would pay the up-front costs so that the homeowner would not pay out of pocket. Ideally the payback mechanism would be on the resident's utility bill but there is strong resistance from the utilities to this.
Outcome	As designed, the program would have $10 million of financing a year (using stimulus dollars and private capital) and would make a 20-30 percent reduction in energy use for each small commercial and residential unit participating in the program. The target is to retrofit 2800 homes and small businesses a year. The investment per home will be about $5,000, including materials and labor but not administration and auditing, which will be paid for by through the system benefit funds. The auditor would make recommendations about what work to undertake and the homeowner would select from a list of contractors. Contractors would be paid directly from the $10 million annual fund. A third-party administrator would do a second audit to make sure the work has been done correctly. The program

	should achieve a positive cash flow within five years. As residents pay into the fund, financing will continue as a revolving loan fund.
What works	There is strong interest and awareness from the public about home weatherization because many of New Orleans' residents are rebuilding their homes. There is also a strong interest in finding ways to reduce energy bills because of the increases and swings in rates after Hurricane Katrina.
Challenges	Resistance from utilities is a big obstacle to the program. There is a risk of public misinformation from the utilities about the program. For example, the utility convinced business owners that there would be a costly fixed monthly charge of either $100 or $200, which for most businesses will be far less. There is also concern that the utilities will create an alternative, less robust program to compete with Energy Smart for funding. One major challenge and priority will be to create an accountable, transparent program that is protected from corruption and the perception thereof.
Reflections	The Alliance for Affordable Energy will be looking to other communities who are pursuing financing and on-bill strategies. There is strong interest to be able to point to successful programs in other cities to support the case for implementation in New Orleans. Ultimately the goal is to create a self-sustaining market for home weatherization that supports long-term livelihoods and eases the burden of energy bills for everyone in the city.