



US Senate Committee on Energy and Natural Resources

June 27, 2012

Thank you for the opportunity to present to the Committee on Energy and Natural Resources. I'd first like to acknowledge Senator Wyden for his leadership on energy and other issues, and especially for his support of Clean Energy Works Oregon. We are grateful for the support of the Oregon Delegation, including your other colleague, Senator Merkley.

Clean Energy Works Oregon is in the residential energy sector, which, as you know, represents about 20% of our nation's energy consumption.

Clean Energy Works is a private, non-profit organization that accelerates the delivery of home energy remodels. We bring citizens together with private contractors and private lenders to help them get their home upgraded for energy efficiency, and we ensure quality control and service throughout their project. We bundle the energy savings for the utility sector and we report the economic development benefits to our public sector investors.

Over the past two years, our results include:

- 1800 homes remodeled for energy efficiency
- 800 workers receiving paychecks, including 180 direct construction newhires – this is in a sector of our economy that, in Oregon, recently suffered a greater than 50% decline in employment
- Average wages of \$21/hour across multiple trades – from insulation installers to HVAC technicians to electricians to plumbers
- Market growth of 5x
- 30% average energy savings per home, generating over \$500,000 *annually* into the pockets of participating citizens
- \$25 million in economic development
- Four-to-one leverage on our Federal investment, primarily from private capital lenders

All of these numbers are rising on a daily basis.

We've been able to accomplish this because of the support from the US Dept. of Energy, State of Oregon, Energy Trust of Oregon, City of Portland, local governments and the Rockefeller Foundation.

We're proving a model where public sector investment delivered alongside private capital into energy efficiency pays dividends toward important American values:

- Energy independence from reduced reliance on volatile fossil fuel markets
- Small business growth
- Revitalization of our housing market
- Creation of local jobs that can't be outsourced and that can pay family supporting wages to historically disadvantaged populations including women, minorities and veterans

Here's what we're learning and what we'd like to convey to you:

1. The utility sector, while a critical player in this market, is in a limited position to value the full set of benefits that are derived from energy efficiency. For example, economic development is not and cannot be fully valued by utility capital. Therefore, current utility investment alone is not sufficient to get us the gains in efficiency we need. Restructuring of the sector and its business models should be explored.
2. Private capital can be unlocked, is widely available, and does not appear to need ongoing credit enhancement. What's needed to attract private capital is smart program design, good quality control, robust data and ongoing financial support from the public sector. As you know, many financial institutions are sitting on cash and getting pressure from shareholders to earn returns. The government doesn't need to be – and shouldn't be – the capital provider for this sector. Incidentally, our experience is that local credit unions and regional banks are the pathway toward larger-scale investment. As demand and predictability grow, the Wall Street banks will join in, and a national market will emerge.
3. The housing appraisal industry is beginning to recognize the value of energy efficiency improvements. We are making a dent in the turnaround of our housing economy. Once this starts to happen on a more predictable basis, demand will be steady.
4. Consumers respond to rebates. We believe rebates above utility incentive levels are extremely effective and needed to lift the industry and transform the market, at least until home valuations routinely recognize the value of energy efficiency improvements (very similar to Cash for Clunkers).
5. Private businesses are aiming their resources toward this growing market. Many of our contractors tell stories of reorienting their focus 3-4 years ago

away from new home construction toward remodeling for energy efficiency. And they are seeing significant year-over-year growth. What these businesses need to continue investing is the predictability of knowing this market will be supported and sustained.

Looking forward, we expect this market to stabilize and reduce its dependence on public investment. We expect, in Oregon, that State-level investment will begin to recognize the value of job creation in this sector by assuming the next position of key financial support for further market development. We have built a model that doesn't rely on Federal investment to survive. However, it would be welcome, and it is clear that the combination of public sector capital alongside ratepayer dollars and private capital is a key to success of mobilizing a national energy efficiency industry.

So how can the Federal government help?

- Given that utilities are regulated locally, the Federal government can promote industry standards that cut across state lines, like the measurement of non-energy benefits and universal data exchange protocols.
- The Federal government can continue to engage the real estate community with development of tools like the Home Energy Score so there is transparency to consumers about energy costs of homes.
- The Federal government could continue to invest financial resources in the emergence of the nascent energy efficiency industry, which holds tremendous promise as a valuable component of a 21<sup>st</sup> century energy policy that recognizes American job creation in balance with energy independence from the increasingly volatile commodity markets for fossil fuels.
- And, finally, the Federal government can promote the value of energy efficiency. Imagine a national advertising campaign that links energy efficiency to patriotism, a la the Victory Gardens campaign from World War II.

In closing, I would like to thank you for your hard work in creating solutions to our country's energy needs, and for your support of energy efficiency as a key piece of the puzzle going forward.