

The Stella Group, Ltd.

1616 H Street, NW, 10th Floor
Washington, D.C. 20006-4999

Scott Sklar, President

202.347.2214 Fax 202.347.2215

E-mail: solarsklar@aol.com

Web: www.thestellagroupltd.com

NEW PROGRAMS THAT HELP SMALL BUSINESSES PROFIT FROM ENERGY EFFICIENCY

Presentation by Scott Sklar, President of The Stella Group, Ltd. (Washington, D.C.), a strategic marketing and policy firm promoting distributed generation which includes advanced batteries, concentrating solar power, energy efficiency, fuel cells, heat engines, microgeneration, modular biomass, photovoltaics, solar thermal and wind energy - blending technologies and financing.

Energy efficiency is about doing more with less energy. While most energy efficiency programs focus on less energy intensive vehicles, industrial processes, buildings, fixtures and appliances -- renewable and distributed energy resources save energy by preventing "line losses", equipment and control damage, as well as surety of electric supply, quality of electric power, and cleanliness of energy supply.

States and local governments are now surpassing the federal government in resources and activities promoting the use of "high value" energy efficiency and renewable and clean distributed energy resources.

States have established specially escrowed trust funds, primarily system benefits charges as a result of electricity deregulation. These funds, in aggregate, approach \$3.8 billion to be dispersed over the next seven years. Add to this over \$100 million per year passed through several federal agencies to states supporting energy efficiency, renewable energy, and pollution prevent explicitly promoting clean energy solutions.

States are also implementing requirements of the Clean Air Act through their own programs outlined in their State Implementation plans. More than eleven states have dedicated over \$700 million over the next few years towards emissions reductions and offsets through aggressive and innovative set of “high value” energy efficiency and renewable and clean distributed energy solutions.

Finally, counties and city governments are leveraging more innovative and larger resources towards energy efficiency and renewable energy. This year, the City of San Francisco passed a \$100 million bond for use of solar and wind energy applications – the first such effort in the United States. Over 40 cities throughout the United States including Chicago, Gainesville, Austin, Portland, Raleigh, and Philadelphia have innovative programs.

While almost all these programs directly assist small business, there is good and bad news. Most of the renewable energy equipment and services and over half of the energy efficiency equipment and services are made and installed by small business. Access to federal, state and local government programs promoting clean energy are universally available to small businesses, most of the resources go either to individual home and building owners or larger commercial entities who know how to access government programs.

In fact, there are so many web sites, programs, requirements and limitations – a small business has to be very focused to accessing these programs. Outreach beyond the internet or special meetings are critical to expand the reach of these programs to the small business sector.

A goal for Congress is to begin evaluating all the websites and outreach activities in a variety of agencies and see how to blend these resources into a more consumer friendly, easy access information and assistance approach geared towards key sectors – such as the small business sector. In addition to the fact that small businesses are a critical segment of the US economy, small businesses experience the worst energy rates and the worst service of almost any segment in the US economy. They are also the ones which face the greatest hardship when experiencing loss of power or power quality – in many cases turning a profitable year into a loss.

CASE STUDIES: STATE and LOCAL GOVERNMENT

TEXAS: Austin Clean Energy Initiative (ACE) (www.austincleanenergy.org) whose mission is to educate the business and entrepreneurial communities about the opportunities in the clean energy sector and empower them to be successful. Associated with the Clean Energy Incubator (CEI) at the Austin Technology Incubator (www.cleanenergyincubator.com) and in cooperation with Enterprise Development Program and the National Alliance of Clean Energy Business Incubators (<http://www.nrel.gov/technologytransfer/entrepreneurs/inc.html>). CEI was the first CE incubator in the program.

ACE held its first public event in April and over 230 people attended including stakeholders from the investor, business, professional, economic development and environmental communities. Objectives included supporting CEI, promoting economic development of the CE industry in our region, and attracting a national advocacy organization or a national consortium in the CE arena.

OREGON: The Oregon Office of Energy (website: <http://www.energy.state.or.us>) and state programs for small business include: Business Energy Tax credits are available for Oregon businesses that invest in energy conservation, recycling, renewable energy resources and less-polluting transportation fuels.

Low-interest, long-term loans (Energy Loan Program) are available for businesses and others that invest in energy conservation, produce energy from renewable resources, and use recycled materials to create products. Information and technical advice is provided to individuals, businesses and power plant developers on renewable energy technologies and applications.

The Small Business Assistance Program of Oregon's Department of Environmental Quality (state gov.). This program is mandated by the Clean Air Act to provide technical assistance to small business on air regulations and pollution prevention.

Air regulations, generally, are focused on pollutants other than CO2 and are oriented toward permitting industrial processes. For this reason, our program has not traditionally looked at energy at all except in permitting fossil fuel power plants. Awareness among staff here about the air quality benefits of using less fossil fuel is leading to partnering with the Oregon Office of Energy to educate businesses that we have contact with. Specifically, we are currently implementing some new permitting rules that will affect a variety of small businesses throughout the state. We will provide information on energy efficiency and business energy tax credits that are available; renewable energy is a step beyond but hopefully we'll take that step and promote that as well.

The Pollution Prevention Outreach Team (a partnership of government jurisdictions in the Portland Metro area) implements the Eco-logical Business (ELB) Program. The ELB program recognizes businesses that reach the highest standards in minimizing their environmental impact. The goal of the program is to prevent and minimize pollution generated by small businesses in the Tri-County area. This is the first multi-media (air, water, solid waste) certification program in the nation. Currently, the group is certifying auto repair and auto body shops. The shops must meet a series of best management practices including 100 % of legal requirements, 100 % of program BMPs, and 80% of elective BMPs. The BMPs are periodically reviewed so there is a possibility of adding a BMP relating to renewable energy---there are (and will be more) BMPs re energy efficiency.

The City of Ashland (Oregon). has a Commercial Energy Program - Rebates and zero-interest loans are available to City of Ashland commercial customers for electric saving measures.

Lighting retrofits (which save energy and improve the quality of lighting), refrigeration and motor efficiency improvements may be eligible for this program. Ashland also has initiated a Green Business Program - City of Ashland utility customers are encouraged to patronize local businesses in our community that have been certified as Green Business participants.

The businesses volunteering to participate in this sustainable development program agree to promote environmentally responsible practices that include energy and water conservation, solid waste minimization, and pollution prevention. Please support these establishments whose practices help reduce the impact on our natural environment: Ashland Community Food Store, Ashland Greenhouses, Brother's Restaurant, Parkside Cottages, Standing Stone Brewing Company, and the Stratford Inn. Ashland businesses may call the Conservation Division for information on how to become a Green Business.

The Commercial Energy and Water Program of the City of Ashland has contracted with the Oregon Manufacturing Extension Partnership (OMEP) to perform detailed energy and water audits for the City's non-residential utility customers. The cost of the audit is \$75 per hour, of which the City will reimburse the business \$45 per hour. Energy and water saving measures (such as refrigeration and motor upgrades) recommended by OMEP engineers may qualify for City of Ashland rebates, as well as the Oregon Office of Energy's 35% Business Energy Tax Credit (BETC).. The City of Ashland' also has a Solar Electric Rebate Program is designed to encourage Ashland citizens and businesses to invest in photovoltaic generation systems by paying rebates for qualifying installations.

Attachments include charts and contact information below:

Enclosure: charts from the Electricity Journal (November 2001) article titled, "States Emerge as Clean Energy Investors: A Review of State Support for renewable Energy" by Mark Bolinger, Ryan Wiser, Lew Milford, Michael Stoddard, and Kevin Porter

Scott Sklar
President

The Stella Group Ltd

1616 H St NW 10th Fl
Washington DC 20006-4999

e-mail: solarsklar@aol.com

phone: 202-347-2214 fax- 202-347-2215

website: <http://www.thestellagroupltd.com>

Note: there is a list of clean energy websites at our website.

FIGURES

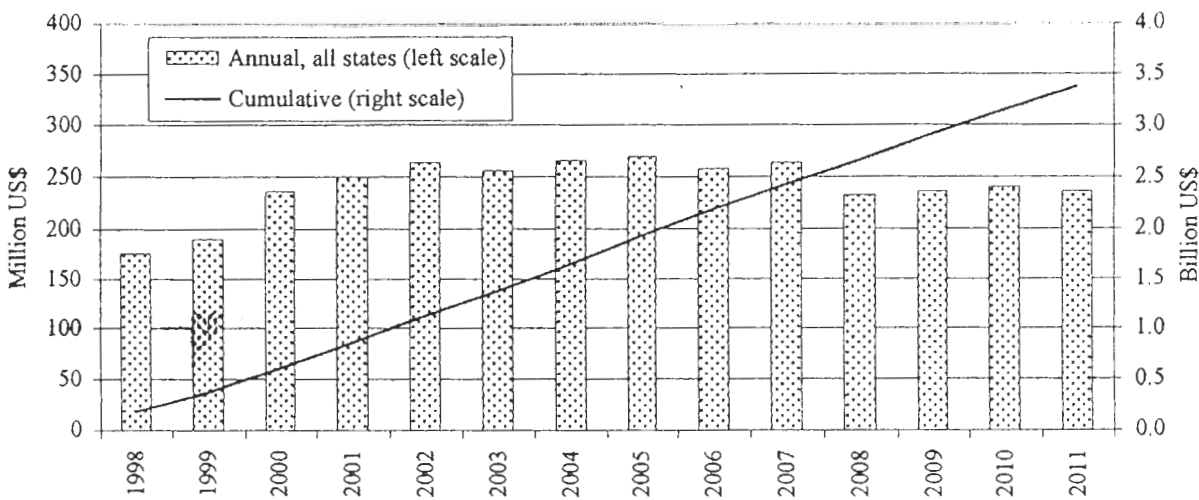


FIGURE 1. AGGREGATE ANNUAL AND CUMULATIVE STATE FUNDING

TABLES

TABLE 1. FUNDING LEVELS AND PROGRAM DURATION¹⁶

State	Approximate Annual Funding (\$ million)	Per-Capita Annual Funding	Per-MWh Funding	Funding Duration
CA	\$135	\$4.0	\$0.58	1998 – 2011
CT	\$15 → \$30	\$4.4	\$0.50	2000 – indefinite
DE	\$1 (maximum)	\$1.3	\$0.09	10/1999 – indefinite
IL	\$5	\$0.4	\$0.04	1998 – 2007
MA	\$30 → \$20	\$4.7	\$0.59	1998 – indefinite
MT	\$2	\$2.2	\$0.20	1999 – 2005
NJ	\$30	\$3.6	\$0.43	2001 – 2008
NM	\$4	\$2.2	\$0.22	2007 – indefinite
NY	\$6 → \$14	\$0.7	\$0.11	7/1998 – 6/2006
OH	\$15 → \$5 (portion of)	\$1.3	\$0.09	2001-2010
OR	\$8.6	\$2.5	\$0.17	3/2002 – 2/2011
PA	\$10.8 (portion of)	\$0.9	\$0.08	1999 – indefinite
RI	\$2	\$1.9	\$0.28	1997 – 2006
WI	\$1 → \$4.8	\$0.9	\$0.07	4/1999 – indefinite

TABLE 2. CURRENT AND PAST PROGRAMMATIC ACTIVITIES

Model Type	Program Type	CA	CT	IL	MA	MT	NJ	NY	PA	RI	WI
Project Development	Financial Incentives for Large-Scale Projects ¹⁷	●		●		●		●	●	●	●
	Predevelopment Grants for Specific Projects				●					●	
	Support for Existing Projects	●									
	Distributed Generation Buy-Downs	●		●			●	●	●	●	
	Distributed Generation Competitive Solicitations				●	●		●		●	●
	Consumer Financing Programs							●	●		●
Investment	Project or Company Financing		●						●		
Industry and Infrastructure Development	Detailed Resource Assessment							●		●	
	Business Development Grants							●	●		●
	Broad-Based Customer Education	●									●
	Support for Green Power Marketing	●	●		●				●	●	

TABLE 3. STATE SBC FUNDING OF LARGE-SCALE RENEWABLE PROJECTS

State	Form of Fund Distribution	Level of Funding	Results ¹⁸	Discounted ¢/kWh Incentive over 5 Years ¹⁹
CA	5-yr production incentive	\$162 million	543 MW (assorted)	1.20
		\$40 million	471 MW (assorted)	0.59
IL ²⁰	grant	\$0.55 million	3 MW landfill gas	0.57
		\$1 million	3 MW hydro	1.86
		\$0.352 million	1.2 MW hydro	1.63
		\$0.55 million	15 MW landfill gas	0.11
MT	3-yr production incentive	\$1.5 million	3 MW wind	3.63
NY	grants with performance guarantees	\$9 million	51.5 MW wind	1.95
		\$4 million	6.6 MW wind	6.75
PA	grant/production incentive	\$6 million	67 MW wind	1.00

TABLE 4. CURRENT STATE SBC FUNDING FOR DISTRIBUTED GENERATION

State	Form of Fund Distribution
CA	\$4.50/W to 50% of total cost
CT	Equity investments in distributed generation companies; future grants for fuel cells expected
IL	\$6/W to 60% of total cost (PV); 50% of total cost (up to \$300,000) for wind >10 kW
MA	Predevelopment grants for analysis of premium power applications; 25% cost buy-down for DG used in premium power applications
MT	Solicitations for PV and wind installations
NJ	\$5/W (<10 kW), \$4/W (10-100 kW), and \$3/W (>100 kW), all to 60% of total cost
NY (NYSERDA)	Competitive solicitations for commercial PV installations, for PV manufacturers to develop distribution channels that enable them to better reach residential customers, and for "high-value" DG installations; low interest consumer loan program
NY (LIPA)	\$3/W to 30% of total cost (PV only), marketed with loan rate buy-down and state tax credit <i>1st Installment:</i> \$3/W up to \$6,000 (to PV owner); <i>2nd Installment (after 1 year):</i> \$1/kWh
PA (PECO)	generated in first year up to \$2,000 (to PV owner), and \$0.10/kWh generated in first year up to \$250 per system (to PV installer); no-hassle consumer and commercial loans
RI	\$3/W (PV) and \$1.5/W (small wind) to 50% of total cost
WI	Low-interest loans, interest rate buy-downs, production rewards