**Application**

**For**

**2012 J. Robert Havlick Award**

**For Innovation in Local Government**

**City of Independence**

**Independence Power & Light Department**

**21500 E. Truman Road**

**Independence, MO 64056**

**Leon Daggett, Director**

[Ldaggett@indepmo.org](mailto:Ldaggett@indepmo.org)

Office: 816-325-7437

Cell: 816-564-2111

Fax: 816-325-7475

**1. IndependenceHELP: About the Independence Home Energy Loan Program**

The Independence Home Energy Loan Program (HELP) is a partnership between the City of Independence Power & Light Department (IPL), City Credit Union and the Metropolitan Energy Center to provide low-interest weatherization loans to local residents for eligible energy efficiency measures. The HELP Program is a loan-loss reserve program, funded with $250,000 from the American Recovery and Reinvestment Act (ARRA) of 2009 through an Energy Efficiency and Conservation Block Grant (EECBG). The HELP program concept was developed in planning that began in February 2010 resulting in an official kick off in February 2011.

Through the HELP program, a loan-loss reserve fund guarantees loans made by the City Credit Union for energy efficiency improvements. HELP targets those homeowners who do not qualify for other weatherization programs available to low-income citizens. Those who may qualify include owner-occupants of residences located in the City of Independence. The residence must have four or less dwelling units. The loan applicant must own the entire residence and occupy at least one dwelling unit. Non-residential properties, multi-unit apartment buildings and mobile homes do not qualify. Residents who qualify for free or low-cost weatherization programs are encouraged to take advantage of those programs before seeking loans through HELP.

The City Credit Union administers the loan process and determines whether loan applicants qualify. HELP loans are unsecured, but are guaranteed up to 75% by the loan-loss reserve fund. Interest rates are “bought down” below current rates by IPL through its operating funds. Interest rates may be as low as 3.02% and repayment may be as long as 120 months. Terms vary based on the loan amount requested. The Metropolitan Energy Center plays a significant role in the overall process to insure that contractors are certified to do the actual work, that they meet the requirements for insurance and business licenses, and that auditors are either trained or already qualified to conduct necessary energy audits. They also provide information to contractors explaining the details of the program.

Energy efficiency measures that qualify for the loan are either listed on the program’s “Eligible Measures List” or recommended by a qualified energy auditor that performs an approved energy audit of the whole house. Eligible measures include replacement air conditioners, furnaces, heat pumps, water heaters, windows, and doors that meet or exceed ENERGY STAR® specifications, as well as adding insulation up to certain levels. Any other work does not qualify for an HELP loan unless included in an energy audit performed by a HELP qualified energy auditor.

**2. Jurisdiction**

Independence Power & Light is a municipal electric utility providing generation, transmission, and distribution services, established in 1901 to provide the residents and businesses of Independence with safe, reliable and affordable electric service. IPL services more than 50,000 customers within the City of Independence, which has a population of about 120,000. With the exception of Lake City Arsenal, IPL services the entire City of Independence.

Since IPL is owned by the people of Independence, the utility has always been aware of a special responsibility to the community. Profits have always been invested in the community for the betterment of the community and because the utility is owned by the residents, IPL has always gone above and beyond in providing utility service. Rates are established by City ordinance. The stable electric utility rates found in Independence are lower than the national average. Affordable electric service adds to the quality of life for residential customers and is attractive to businesses considering locating in Independence.

**3. Importance of Innovation, Internal Impact and Community Benefits**

While other municipal organizations considered establishing a revolving loan fund, those programs limit the funds available to loan, require committed and dedicated internal staffing, and force the city government to operate outside its core competencies. However, a loan-loss reserve fund enables a local financial institution to generate loans with minimal risk because the HELP program guarantees 75% of each loan. This leverages existing funds to provide greater availability of loanable funds. As a revolving loan program, only $250,000 would be available to loan, whereas with a loan loss reserve program, the leveraging produces more than $5 million available for loans.

Matthew Brown, a consultant for the U.S. Department of Energy has said the Independence Power & Light Department are pioneers because it established a loan program for those who do not meet the low-income guidelines associated with other weatherization loan programs. Brown said that previously there was no guidance for such programs through city-owned utilities and that IPL has established a model prototype program.

The HELP program is also innovative because of the City/IPL partnerships created with a financial institution (City Credit Union) and a clearing house for contractor training (Metropolitan Energy Center). These partnerships were crucial because IPL, as a City department, is not in the business of making loans or acting as a clearing house for contractor training.

In the first six months of the program, 17 loans totaling $171,000 were made. A sampling of the energy savings over time has indicated that an average energy reduction of 12% was realized by the homeowner.

The impact for the City is reduced energy consumption that is a direct result of citizens purchasing more energy-efficient equipment. In addition, citizens who didn’t previously qualify for loans can now benefit from lower interest rates making new equipment more affordable. Building contractors also have another option open to them to make energy-efficient electric equipment available to their customers. The program is less expensive to customers than traditional contractor financing. The end result is savings for the individual customer in reduced electric bills, an opportunity for the individual customer to contribute to greenhouse gas emission reduction, less overall energy consumption, and a reduced carbon footprint for the community at large. To make an even greater impact, the key is replacing old appliances and heating and cooling equipment with ENERGY STAR® qualified products. This is important because reduced energy consumption and demand means that the City-owned electric utility can defer the addition of new power-generating equipment and/or plants, thereby holding down electric rates.

**4. General Answer Section**

* *How is it a quantum leap of creativity?*

Several innovations were produced through this project. First, since the city’s utility does not have the skill sets nor staff to initiate and process loans and does not have the core competency to train energy auditors, service technicians and monitoring licensing requirements of businesses, the development of the strategic partnerships to bring this program about was creative and innovative. Secondly, leveraging the available funds to create a twenty-time greater lending ability shows creativity and innovation. Also, targeting a market that does not qualify for free weatherization funding expands the potential reduction of greenhouse gas emissions and reduction in utility usage.

* *Who has benefited from the innovation?*

There are several beneficiaries from this program. First, the citizen that does not qualify for the free weatherization programs now has a source of funding to enable them to make their homes more energy efficient. Secondly, the community benefits from a reduced carbon footprint. The utility benefits from reduced electrical demand enabling them to defer the construction of new generation which in turn holds down electrical rates for utility rate payers.

* *How was the innovation initiated and implemented?*

Initially, the committee that was determining the possible uses of the EECBG funds wanted to make available to citizens that were unable to qualify for free weatherization assistance a method that they could fund weatherization upgrades to their property. The program originally began as an “in-house” revolving loan program. Through various trial and error approaches, it was determined that in-house would not work and that more citizens could be served by switching from a revolving loan program to a loan loss reserve program. Once the strategic partnerships were in place and the program infrastructure established the HELP program was rolled out to the citizens of the City of Independence.

* *What risks were associated with planning and developing the innovation?*

The main risk involved was having to approach the U.S. Department of Energy to seek approval to re-use the funds for another program activity if we were unable to make this program work out. Without that approval, the city would have then lost nearly one-quarter of its block grant funding.

* *What was the environment in which the innovation was created and sustained?*

This innovation came into being at the beginning of the recession that recently covered the country. With high unemployment and the risk of family members losing their jobs, it was deemed appropriate to provide those at risk with opportunities to replace broken or worn-out HVAC equipment and other weatherization opportunities without having to experience financial draining outlays of capital.

* *What were execution costs and savings?*

The only execution costs were staff time to develop and implement the program and the funding for the loan-loss reserve fund which came from the EECBG.

* *What lessons were learned that could be shared with other local governments?*

Look for opportunities outside of yourselves. The city’s electrical department could not bring this program to life by themselves; but by looking to others with the needed expertise and forming strategic partnerships the program was brought into existence. Secondly, look for ways to stretch and leverage your resources beyond what is apparently available. Finally, don’t be afraid to think creatively.

* *Which department and/or individuals championed the innovation?*

The City of Independence Power & Light Department championed the innovation. Staff members working on the project were Customer Programs Administrator Mary Kay Villegas-Alitz, now retired Customer Programs Administrator Rob Buell and Intern Nicole Lee.

**The following describes the program:**

*What Types of Projects Qualify for the Low-Interest Loans?*

The energy efficiency measures that are either listed on the Program’s “Eligible Measures List” or recommended by a qualified energy auditor that performs an approved energy audit of the whole house. Eligible measures include replacement air conditioners, furnaces, heat pumps, water heaters, windows, and doors that meet or exceed ENERGY STAR® specifications, as well as adding insulation up to certain levels. Any other work does not qualify for an IndependenceHELP loan unless included in an energy audit performed by a HELP qualified energy auditor. A detailed “Energy Measures List” is available through IPL or at [www.IndependenceHELP.org](http://www.IndependenceHELP.org).

*What is the process for participating in the HELP Program?*

**Step 1:** The Independence homeowner works with a contractor or qualified energy auditor to identify qualifying energy efficiency measures for the home. The homeowner may choose any contractor or qualified energy auditor. A list of program participating contractors and qualified energy auditors can be found at [www.IndependenceHELP.org](http://www.IndependenceHELP.org). These contractors and energy auditors have received detailed information about program requirements and forms. If the selected contractor or energy auditor is not on the list of program participants, they can call IPL to get detailed information on required forms and program rules before submitting a loan application. All contractors and energy auditors must have licenses, permits and insurance required at the local, state and federal level to do the work, including a City of Independence business license, and must follow HELP requirements.

**Step 2:** All homeowners must submit to IPL a completed National Historic Preservation Act (NHPA) form and a list of the energy efficiency measures to be installed. Homeowners are required to provide photos prior to making improvements. IPL will take “after” photos of improved measures. Additionally, a picture of the front facade of the residence is required. A review is conducted to assure compliance with NHPA, which may take up to 30 days. IPL lets the homeowner and the City Credit Union know when the review is completed.

**Step 3:** The homeowner submits a loan request by calling the City Credit Union. If not a City Credit Union member, the homeowner must visit the City Credit Union to fill out a membership form. The City Credit Union will collect the necessary information to process the loan request including: Project information and cost estimate from the contractor and other information to determine whether a loan will be approved. Work may not begin until the loan is approved.

**Step 4:** The City Credit Union notifies the homeowner of loan approval and the contractor installs eligible energy efficiency measures based on the agreement between the homeowner and the contractor.

**Step 5:** When the work has been completed, the homeowner notifies IPL. Then IPL schedules a visit to the residence to get the Certificate of Completion form completed by the homeowner, asks the customer to complete a short customer satisfaction survey and view and obtain photos of the newly installed energy efficiency measures. IPL does not assure quality of work performed.

**Step 6:** The City Credit Union issues proceeds from the loan in a joint check to the homeowner and contractor and sets up the loan repayment process.