



JEDC.org
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December 31, 2014

**Kim Kiefer, Manager
City & Borough of Juneau
155 South Seward Street
Juneau, Alaska 99801**

**RE: FY16 MARINE PASSENGER FEE PROCEEDS REQUEST – REVOLVING LOAN FUND FOR
ELECTRIC BUS PURCHASES, CONVERSIONS AND CHARGING STATIONS**

Dear Ms. Kiefer:

The Juneau Economic Development Council, as part of a collaborative effort within the Renewable Energy Cluster Working Group, and with particular support from AEL&P, Alaska Coach Tours, and Gastineau Guiding, proposes the use \$1,500,000 from the passenger fees to develop a low-cost financing program to assist local companies with bus fleets, most of which are tourism based, to either purchase new or convert to electric powered buses and shuttles and to install charging stations for electric powered fleet vehicles. Low cost financing will provide an incentive to spur conversion of fleets faster than could reasonably be expected of businesses motivated entirely by cost savings because the short tourist season in Juneau lengthens the amortization period. JEDC proposes managing this revolving loan fund under an agreement with the CBJ. This funding will support development of the loan program (\$20,000), financing capital (\$1,438,000) and first year operating costs (\$42,000). Following years' operating costs will be the subject of later Marine Passenger Fee Proceeds requests. Any unused program development or operating costs from the first year will be added back to the loan fund capital.

The cost to purchase a new fully electric motor coach is currently between \$600,000- \$800,000. Conversion of existing buses can cost up to \$300,000. Smaller airport shuttle style, fully electric buses can cost up to \$250,000, and conversions may cost up to \$100,000. Owner/operators of electric buses will require charging stations on site at their facilities. The costs of purchase and installation of charging stations can range from \$2,000-\$40,000 based on site, power requirements, and other factors. The above investments are what we propose to finance with this program.

Electric buses provide significant benefits including savings in fuel and maintenance expenses for the operator, and a reduction in the environmental impacts associated with operating a diesel coach. Diesel powered motors operate at much lower efficiency than electric motors, which can allow for significant savings when operating an electric bus. In Juneau, a diesel to electric conversion eliminates emissions and dramatically lowers noise levels, all while reducing

the quantity of potentially contaminating fluid required to operate the vehicle. These benefits extend to owners, visitors, and locals alike.

By offering low cost financing for a portion of these costs, the Renewable Energy Cluster Working Group hopes to leverage private capital to spur investment that will drive development of additional infrastructure (more charging stations, more lenders experienced in financing renewable energy investment, more local vehicle dealerships, more local trained technicians, more local parts inventories) to multiply the number of privately owned electric vehicles and expand opportunities available to the public transit system. This proposal is consistent with Long Term Actions identified under Strategy T3-B of the Juneau Climate Action Plan, "Work with tour companies to replace tour buses with more energy efficient models. Consider the feasibility and economic viability of replacing existing fleet with electric buses." There are good reasons why it is in the interest of the community to support transitions from diesel buses to electric buses by businesses. The factors include economics, noise pollution, air pollution, soil pollution, water pollution, and long term community sustainability.

This request is for the \$1,500,000 from passenger fees for JEDC to operate a revolving loan fund for a period of ten years, subject to ongoing annual award for operating costs. JEDC will, with stakeholder input, develop and vet program parameters and will operate the fund including promotion, determination of eligibility, and perform all duties related to loan underwriting, documentation, closing and servicing, collections and reporting.

We anticipate the cost of program development, including underwriting standards, eligibility, maximum loan amount and other terms will cost about \$15,000-20,000, depending on the level of stakeholder and CBJ involvement. Assuming a low interest and low default portfolio, a portion of the request will be required to defray JEDC's operating cost, estimated to be no more than \$42,000 in the first year, assuming zero net income from lending after direct transaction costs. This includes the cost of promoting the product to cooperative lending institutions and fleet operators. These costs should decline in subsequent years.

Timeline:

July 1, 2015 – Project funded

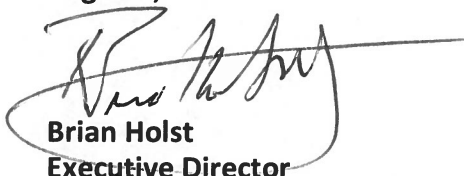
August 31, 2015 – Revolving loan fund terms, guidelines and management contract established

September 1, 2015 – Promotion of program to tour companies and begin accepting applications.

September 1, 2015 – June 30, 2025 – Operating period

It is proposed that this loan program run for ten years, with semi-annual financial and portfolio reporting, and a review of operation and productivity every three years. After ten years, the program may be extended or the unlent capital plus any outstanding loans will be returned to the CBJ.

Regards,



Brian Holst
Executive Director