



March 15, 2023

RE: Alaska Heat Smart FY24 Funding Request

Rorie Watt, Manager
 City and Borough of Juneau
 155 South Seward Street
 Juneau, Alaska 99801

Dear Mr. Watt,

Alaska Heat Smart (AHS) requests a grant of \$235,094 in FY24 to meet rising demand for our growing slate of heat pump advisory and financial assistance programs and to catch up with the realities of our program costs. This FY24 request reflects several factors. Demand for our core services continues to grow significantly. The addition of new federally funded programs requires additional staff time and matching funding. And, as our program expands, we need to catch up on salaries and benefits in order to recruit and retain key staff.

Over the past year AHS has seen significant growth in demand for our advisory services available to all Juneau residents. We have added financial incentives and services for the installation of heat pumps and support of home health, broadening the reach of our offerings to lower income households. Developing federal incentive programs are creating additional interest and opportunities that may allow AHS to leverage new federal funding. To meet these current and future demands and expanding services, AHS projects that FY24 staff hours (7363 hours) will be nearly 150% of FY23 staff hours (5000). The FY23 CBJ grant has been used to support AHS operations for its core services and began to gear up on federal grant activities. AHS anticipates that it will fully expend the FY23 CBJ grant by 6/30/23.

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	AHS FY23		AHS FY24	
Personnel	\$	110,100.00	\$	211,494.00
Professional Services	\$	20,250.00	\$	11,502.00
Administrative	\$	7,000.00	\$	7,248.00
Advertising and Marketing	\$	4,100.00	\$	4,100.00
Supplies and Materials	\$	750.00	\$	750.00
Cash Flow Reserve	\$	108,000.00	\$	-
	\$	250,200.00	\$	235,094.00

AHS Programs and Services

Home Heat Pump Assessment Service

Our core 3rd-party advisory service both educates and empowers home and business owners to make informed decisions regarding energy efficiency measures for their primary space heating. AHS advisory reports combine a space's utility use history, a site visit, and number crunching with a custom energy calculator to generate options for moving forward with money-saving energy efficiency measures. They are a key to ensuring quality installations and consumer satisfaction. Many recipients of our services indicate that the report enabled them to make a decision to upgrade their home or business. The AHS home heat pump assessments are a direct benefit to contractors as they reduce administrative and educational responsibilities, allowing for greater efficiency in completing contracted work.

Since AHS' inception, more than 600 Juneau homes and businesses have received assessment services. 2022 and the first quarter of 2023 continue a four-year increasing trend, with record applications for heat pump assessment services - 290 assessment applications in addition to 100 new program applications over this five-quarter period. Preliminary analysis indicates that as many as 70% of program participants have moved forward with the purchase of a heat pump.

Home Heat Pump Educational Services

In addition to heat pump assessments AHS staff provide information and advice over the phone, by email, on our website and through social media. The AHS website experienced rapidly climbing individual annual visits in 2022 - there were 6,522 unique individual visits to the AHS website and nearly 20,000 unique individual page views. AHS staff are increasingly asked to speak at events and meetings across the state, such as for the Alaska Forum on the Environment, the Alaska Energy Efficiency Partnership, and the recent Southeast Conference Mid-Session Summit.

Healthy Homes Program (HH)

A 2022 \$2M, 42-month grant from the Department of Housing and Urban Development allows AHS to serve some of Juneau's neediest homes. Funds will remediate up to 90 lower income homes, improving electrical and heating systems, minimizing heat loss and moisture retention, and improving overall home health.

AHS is roughly one year into program start-up and has approved 16 homes, is processing 20 applications, and has moved another 12 applicants to other programs that match their eligibility. Work plans are being drawn up for local contractor work which is slated to begin by late March, 2023. AHS continues to maintain the separate cash flow reserve of \$108,000 granted by CBJ in FY23. This reserve ensures that bills are paid on time while waiting for HUD reimbursements.

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Clean Heat Incentive Program (CHIP)

In the spring of 2022, AHS received a congressionally-designated spending (CDS) grant from the Department of Energy (DOE) courtesy of Senator Lisa Murkowski. This \$525,000 package (which includes a local foundation grant of \$50,000) is the basis of our Clean Heat Incentive Program (CHIP), a lower to modest income heat pump assistance program that will offer up to 200 homeowners a financial grant to partially pay for their initial investments in energy efficiency upgrades. With just a few months of active programming, AHS has paid seven incentives, with another 16 pending payments and 23 additional applications in process. We are also developing a pilot CHIP effort in Sitka using 10% of the federal CDS grant monies.

Other Programs

Thermalize Juneau Campaign

The Thermalize Juneau program (started in 2021 - 165 applicants, 145 energy assessments, 90 energy audits, and 75 heat pump installations) is nearly complete. AHS and partner organizations are completing the final deliverable of the program, a 'story map' guidebook that other communities can use to develop their own Thermalize program.

True North Federal Credit Union Heat Pump Loan Program

Through March 9, 2023, True North FCU has provided 13 low interest heat pump loans to Juneau homeowners. The combined balance loaned is \$108,565. Currently, TNFCU is processing six new heat pump loans. In late 2022, AHS and TNFCU negotiated an increase in the loan cap from \$7,500 to \$12,500. No loans are delinquent and the original \$15K loan loss reserve established with CBJ funds in 2021 remains sufficient. AHS retains the additional \$25K reserve granted by the CBJ in FY22 to use for additional credit enhancements, if and when needed.

Juneau Carbon Offset Fund Assistance

AHS continues to support Renewable Juneau's Juneau Carbon Offset Fund ("JCOF") program, conducting 14 home advisory assessments in 2022. JCOF has installed 37 heat pumps in lower income family homes and is currently processing five new applications. JCOF staff consider AHS home assessments a critical component of the applicant review process to ensure that income-qualified homes are of sound quality and able to reap the full benefits of a heat pump installation.

Energy Data Analysis

AHS has nearly completed an analysis of our 2022 assessed homes. Of 165 assessments, not including nearly 150 from both the Thermalize program and the Juneau Carbon Offset Fund:

- Average oil space heating cost: \$3,048
- Average electric resistance heating cost: \$2,100
- Projected average savings from oil heat to heat pump: \$1,802

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- Projected average savings from resistance to heat pump: \$1,226
- 83% / 17%: ratio of assessed oil homes to assessed resistance homes
- Carbon output: pre-heat pump - 15,240 lbs
- Carbon output: post-heat pump - 1,484 lbs

AHS has been performing 'reassessments' of assessed homes to verify and crosscheck projected savings and impacts. This task is still in its early stages, but to date, 20 randomly selected homes first assessed in 2021 have had follow up assessments:

- 14 proceeded to install a heat pump (70%)
- 3 indicate that they are planning to install a heat pump (15%)
- 3 indicate that they will not be installing a heat pump (15%) - usually due to economics not justifying the cost
- Of the 8 oil users, 4 totally eliminated oil. The other 4 significantly reduced their oil usage.

Energy data analysis from a joint CCHRC, AELP, AHS study involving Thermalize Juneau homes and electrical data gathered by SENSE and TWACS meters is still ongoing with analysis currently unavailable.

Looking Ahead: FY24

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AHS Staff Resources

AHS' new Healthy Homes and CHIP programs, coupled with greatly increasing community interest in both heat pumps and general energy efficiency, have increased the workloads of AHS staff. Our half-time administrative assistant position will grow to full-time by late summer 2023. As demand for incentives and assessment services continues to grow, AHS anticipates hiring an additional part-time assessor to join the three part-time energy assessors currently on staff.

The AHS Board is considering the potential for additional sources of operating funds: To date, AHS' services have been provided free of charge to all as a way to encourage participation and accelerate heat pump conversions in Juneau. Experience through the Thermalize Program suggests that some program participants have been willing to make donations to the Juneau Carbon Offset Fund in recognition of the valuable service AHS provided them. The AHS board is considering advertising a voluntary donation to AHS by program participants who are able.

While it is worthwhile to revisit efforts, our research to date into some foundations has not yielded opportunities to apply for the core operating funds AHS needs to execute its programs.

Exploring Regional Expansion

In conjunction with the developing Sitka CHIP program, AHS hopes to use the DOE-funded Sitka CHIP as a catalyst to develop a Sitka home heat pump assessment

program, as an arm of our core Juneau service. The CHIP grant will train a Sitka-based AHS assessor, and discussions are underway with the City and Borough of Sitka (CBS) about potential CBS funding for the wage and administrative costs of this assessor position.

CBJ funding is not being used for the Sitka-based work. It is important to note that developing a regional workforce of heat pump assessors and installers could provide mutual benefits for each community. AHS will continue to explore opportunities for expanding its services regionally, including those related to the state's implementation of the IRA rebate program.

Inflation Reduction Act Implementation

AHS regularly shares information about the Inflation Reduction Act's (IRA) generous federal tax credits, available in 2023, with home and business owners across Alaska. We are planning new public outreach programs about the pending income-qualified rebates expected to become available in early 2024. Our advisory services will help Juneau residents take full advantage of these complex new opportunities. AHS' trusted contractor relationships and locally-recognized reputation and services will be valuable assets that will ensure that those who can benefit most from IRA rebates and tax credits will both understand their options and have access to them.

Additionally, AHS has begun a dialog with AHFC, which is developing a state program to administer IRA rebate funding in early 2024. Depending on how the state program is structured, there may be new opportunities for financial support and expansion of AHS services. Finally, the IRA provides some separate new grant opportunities that AHS may be able to qualify and apply for. We will be tracking these as they develop and become available.

AHS continues to explore ways to support conversions to heat pumps in multi-family rental properties and will be tracking and helping landlords take advantage of the new incentives in the IRA.

AHS staff FY24 hours covered by all funding sources are estimated below. These sources of funding include the HUD Healthy Homes grant, the DOE CDS grant for our CHIP program, independently-secured foundation contributions, and private

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donations. AHS' FY24 CBJ grant request takes into account these other sources of funding, which significantly lowers AHS' request of the CBJ for the operating funds necessary to execute AHS programs and services.

AHS Staff	FTE	% CBJ	% Grants
Executive Director	1	50	50
Administrative Assistant	1	40	60
Program Manager	0.58	10	90
Chief Energy Assessor	0.38	80	20
Energy Assessor	.25	75	25
New Energy Assessor	.25	75	25
Bookkeeper	.08	90	10
Total Hours	7363	3555	3808

The CBJ's investment in AHS is paying dividends for Juneau residents. AHS' success helps reduce annual heating costs for hundreds of Juneau residents. New installations support existing and new local jobs, keeps money from energy savings circulating in the local economy, and is attracting millions of dollars into Juneau's economy to improve the quality of Juneau's housing stock. Through its support for AHS, the CBJ makes a substantial contribution toward meeting the community's goals of reducing greenhouse gas emissions and dependence on fossil fuels.

We appreciate the CBJ's continued financial support. Please find attached profit and loss statements for FY23 through Feb 28, 2023.

Steve



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**Alaska Heat Smart
Profit & Loss by Class
July 2022 - February 2023**

	Total
Revenue	
1040 Local Revenue	
1041 CBJ Income	127,903.86
Total 1040 Local Revenue	\$ 127,903.86
1041.0 Federal Revenue	
1041.1 HUD Healthy Homes Income	43,540.86
1041.2 CDS Murkowski	33,286.28
Total 1041.0 Federal Revenue	\$ 76,827.14
1055 Service/Fee Revenue	1,050.00
1060 Other Revenue	
1062 Project Income	650.00
1063 Interest Earned	420.85
1064 CCHRC Match	23,661.00
1065 Admin Match	0.00
1066 Donations (AHS)	100.00
Total 1060 Other Revenue	\$ 24,831.85
Billable Expenditure Revenue	240.00
Total Revenue	\$ 230,852.85
Cost of Goods Sold	
1998 Cost of Goods Sold	
1999 QuickBooks Payments Fees	4.50
1999.1 Paypal processing fee's	8.94
Total 1998 Cost of Goods Sold	\$ 13.44
Total Cost of Goods Sold	\$ 13.44
Gross Profit	\$ 230,839.41
Expenditures	
2000 Personnel Expenses	
2000.0 Executive Director	53,316.39
2001 Energy Advisor	9,955.74
2001.1 Program Coordinator	23,525.44
2001.2 Financial Manger	4,473.46
2001.3 Program Tech	36,278.05
2001.4 Admin Assistant	9,398.26
2001.8 Employee Bonus	544.73
Taxes	0.00
Total 2000 Personnel Expenses	\$ 137,492.07
2100 Fringe Benefits	
2002 Taxes	12,585.76
2003 Payroll Processing	928.00
2004 Workers Comp	512.60
Total 2100 Fringe Benefits	\$ 14,026.36
3010 Supplies	
3011 Supplies specific	3,427.00
3012 Supplies reallocate	548.55
3014 Software	300.00
Total 3010 Supplies	\$ 4,275.55
3020 Administrative Expenses	
1161 Credit Card Processing	5.47
3023 Memberships / Dues	1,141.40
3026 Business Meetings	121.74
3028 Printing & Copying	103.00
3029 IT / Website	35.54
3029.1 Training	450.00
Total 3020 Administrative Expenses	\$ 3,486.94
3021 Promotions	
3021.2 Advertising & Marketing	83.99
Total 3021 Promotions	\$ 83.99
3030 Bank Charges	
	2.50
3040 Legal & Professional Fees	
3041 Contractor	2,400.00
3044 Broker / Professional	175.00
3045 Incentive Payments (contractual)	15,500.00
Total 3040 Legal & Professional Fees	\$ 18,075.00
3040.1 Subawardee	
3040.11 Personnel	17,905.50
3040.15 Indirect costs / de minimis	1,567.80
3040.16 Subawardee Personnel (Match)	22,648.50
3040.17 Indirect costs (match)	1,012.50
Total 3040.1 Subawardee	\$ 43,134.30
3050 Travel	
3051 Admin Travel	965.89
3053 Special Projects Travel	1,312.31
Total 3050 Travel	\$ 2,278.20
3060 Utilities	
3061 Telephone	477.00
Total 3060 Utilities	\$ 477.00
4000 Insurance Expense	
4002 Directors & Officers	989.36
4003 Liability	1,299.68
Total 4000 Insurance Expense	\$ 2,289.04
Total Expenditures	\$ 225,620.95
Net Operating Revenue	\$ 5,218.46
Other Expenditures	
7000 Other Direct expenses (Grant)	4,951.25
8003 Grant Recovery exp. Operating OH	0.00
Total Other Expenditures	\$ 4,951.25
Net Other Revenue	-\$ 4,951.25
Net Revenue	\$ 267.21