

## Weatherization Repayment Assistance Program (WRAP)

The Weatherization Repayment Assistance Program (WRAP) is an innovative pilot program that uses an on-bill repayment model to help moderate-income Vermonters participate in comprehensive home energy projects.

### HISTORY OF THE PROGRAM

With the passage of Act 74 of 2021, the Legislature appropriated \$9,000,000 to VHFA to develop a pilot program to promote housing weatherization statewide, including through on-bill to-the-meter billing. The Legislature also expanded VHFA's powers to include the authority to "develop a program to finance and promote housing weatherization using funds appropriated by the State" along with funds from other sources, "giving priority to programs benefiting persons and families at or below 120 percent of the median income with high energy burdens."

VHFA has worked collaboratively with the Department of Public Service, Vermont's Distribution Utilities (DUs), the Energy Efficiency Utilities (EEUs), and other key stakeholders in designing WRAP.

The overarching goal of the program is to make weatherization more accessible to customer groups that have traditionally been difficult to reach, such as renters, customers with poor credit, and low-to-moderate income customers.

### PROGRAM GOALS AND OVERVIEW

WRAP is intended to assist more low-to-moderate income households in enjoying the benefits of weatherization, including lower net-energy costs, increased levels of general comfort, decreased health-related stress factors, and reduced greenhouse gas emissions.

#### On-bill Financing

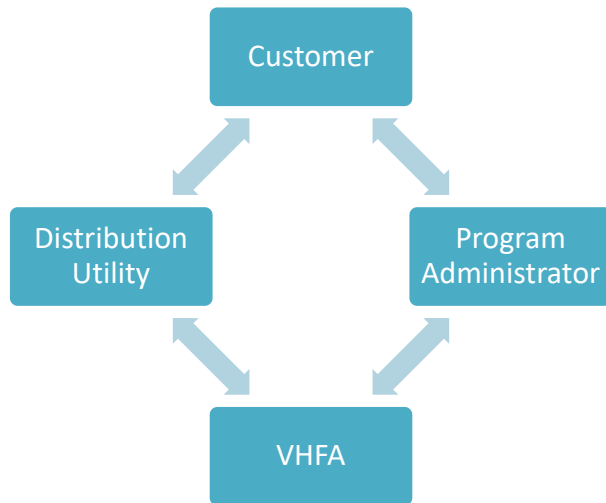
WRAP's on-bill model is designed to overcome factors that have traditionally prevented moderate income households from weatherizing their homes. These include:

- *High upfront costs* – WRAP is a form of financing that, when combined with existing EEU incentives and VHFA incentives, can greatly reduce or eliminate the upfront cost a household must pay for a weatherization project.
- *Limited access to financing* – As opposed to a traditional loan to an individual, WRAP funding is considered an investment tied to the utility meter. This means that traditional lender underwriting standards such as credit scores, debt-to-income ratios, and loan-to-value ratios will not be used for approving projects. Since repayment is linked to the utility bill payment, the key underwriting standard is for a customer to have a clean bill-payment history with Vermont utilities for the 12-months preceding enrollment.
- *Multi-year payback* – Weatherization projects may have a payback period of 10 years or more, which is typically a barrier if a customer (and particularly a renter) does not expect to occupy the residence for that length of time. Since WRAP funding is tied to the meter, the customer is only obligated to pay the surcharge for the length of time that the customer occupies the property. Once a customer moves, that customer is no longer obligated to make any additional payments. Instead, new occupants of the

property will pay the surcharge for the time they occupy the property and benefit from having lower net energy costs and a more comfortable, energy efficient environment.

### Program Delivery

WRAP will be delivered to a customer through three different entities:



- *Step 1: Evaluation and Project Completion*

To start, the customer contacts a WRAP Program Administrator from one of the EEs—Efficiency Vermont (EVT), Vermont Gas Systems (VGS), or Burlington Electric Department (BED) — based on the location of the customer’s residence. The Program Administrator helps the customer apply for the program, manage the energy audit, review and approve the proposed measures, estimate the energy savings and monthly WRAP charge, and coordinate with a qualified weatherization contractor. A key element of the work will involve verifying the results of the weatherization project using a blower door test.

- *Step 2: Funding Request*

Once a project is complete, the Program Administrator submits a funding request to VHFA detailing the cost of the project, the results of VHFA’s screening tool confirming the project meets positive cash flow and repayment term requirements and confirmation of the blower door test results. Upon approval, VHFA will provide the funding for the project to the Program Administrator to pay the contractor.

- *Step 3: WRAP Charge*

VHFA requests that the customer’s utility provider (DU) create a WRAP account for the customer in its billing system, detailing the monthly charge and number of months the charge should be collected from the meter. Each month, VHFA provides detailed account information (e.g., amount of WRAP funding, monthly payment, number of scheduled payments, and number of payments remaining) to the DU so that staff can respond to billing-related customer inquiries.

So far, Green Mountain Power, Ludlow Electric, Vermont Electric Cooperative, VGS, and BED have approved tariffs to offer the on-bill program to their utility customers.

- *Step 4: Remittance*

Once the DU receives a customer payment, the DU remits the WRAP charge, less the DU billing fee, to VHFA.

### Costs

The surcharge placed on the monthly utility bill will be comprised of three components:

- (1) *Capital Recovery* – A return, on a dollar-for-dollar basis, of the WRAP funding amount (i.e., the project cost minus available incentives) used to cover actual project costs.
- (2) *Capital Cost* – An annual 2% interest charge on the WRAP funding amount.
- (3) *DU Billing Fee* – A monthly fixed fee (3\$/bill for most utilities) the DU will charge to cover its cost for providing billing services.

### Consumer Protection

WRAP's targeted customer segment is low-to-moderate income households that can least afford excessive or inefficient financing costs. Therefore, WRAP has been designed to incorporate important consumer protection measures that include:

- *Positive Cash Flow* – The estimated annual energy savings from the weatherization measures must exceed the annual cost of the WRAP repayment by at least 10 percent<sup>1</sup>. Building Performance Institute (“BPI”) certified auditors collect property-specific data and develop a list of proposed measures. The Program Administrators input the data and current fuel prices into energy modeling software to estimate annual savings.
- *Term of Obligation* – Based on the estimated savings, the term of the WRAP surcharge will be the lesser of 15 years or 90% of the project's useful life. This is to protect against customers paying for benefits they may no longer be experiencing.
- *No service shuts offs or property liens* - In the case of partial payment or non-payment by the customer, the DU will only remit the amount of payment that is available to VHFA. Non-payment of WRAP charges alone will not result in service shut offs. VHFA will bear the loss of all non-payments. VHFA does not place liens on properties through WRAP.
- *Leverage Proven Programs* – WRAP leverages the existing weatherization programs run by the EEU's, including: requiring BPI-certified energy auditors, running DPS-approved energy modeling software, and requiring the use of contractors from a pool of pre-approved vendors.

### Eligible Participants

For the pilot, single family residences, manufactured homes and apartment buildings with up to four units may participate.

In multifamily buildings with stacked units (not ground to sky), only multi-unit buildings with a master meter in the building owner's name may participate. This restriction is due to constraints related to the challenges of modeling energy savings for individual units in apartment buildings.

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<sup>1</sup> It is important to note, however, that the savings are not guaranteed because factors such as future energy prices and changes in consumer behavior are outside of the program control.

For eligible rental properties where the tenant pays the utility bill, the tenant must sign a consent form to pay the WRAP charge during the tenancy. The landlord is required to ensure that subsequent tenants sign an authorization form, otherwise the landlord will agree to pay WRAP charges.

Although the program is open to Vermonters of all incomes, the greatest incentives and the majority of program funding will be targeted to households earning less than 120% of the area median income.

### Eligible Project Measures

All projects must include weatherization measures. These measures are defined as those that are eligible for efficiency utility weatherization incentives. This can include measures like insulation and air sealing.

Tier III measures, such as installing heat pumps and advanced wood heating, are permitted in conjunction with the weatherization improvements, however, the combined measures (weatherization and Tier III) are subject to meeting the positive net cash flow and repayment term requirements. These can include:

- Ductless cold climate heat pumps (CCHPs) and associated electrical panel upgrades.
- Whole-building heat pumps (ducted or hydronic) and associated air exchange equipment, which may be fossil fuel based.
- Air-to-water heat pumps.
- Wood Pellet central boilers and furnaces.
- Advanced Wood Stoves (cord wood and pellet).
- Heat pump water heaters (HPWHs).

WRAP projects can also include necessary health and safety measures for projects as determined by the contractor.

Stand-alone electrification measures are not permitted under WRAP.

For the pilot, plug-in appliances and electric vehicle charging systems are not considered eligible measures.