Describe the following:

How will the Market-Building grant of up to $250,000 support your ability to achieve CGC's Municipal Investment Fund objectives to build a roadmap for public-private partnerships necessary to achieve community-wide clean energy goals, bring together a coalition of partners, create policies to attract capital and reduce costs, and originate a pipeline of financeable NCIF Qualified Projects with at least 50% of projects located in LIDACS?

RESPONSE:

The City of Ann Arbor will use the Market-Building grant to prepare an operational plan and financial strategy to launch a newly created, innovative, and renewable energy-centered Sustainable Energy Utility that accelerates the city's clean energy transformation while simultaneously fostering economic development and enhancing climate resilience.

In November of 2024, Ann Arbor residents overwhelmingly (79%) voted to create a Sustainable Energy Utility (SEU). The SEU is a supplemental, opt-in, fee-based utility only authorized to provide renewable energy, beneficial electrification, and energy efficiency services to entities within the City. The first of its kind nationally, the SEU was designed to help Ann Arborites have access to clean, affordable, local, resilient, and reliable energy, regardless of income, ownership status, or tenure in the City.

Currently, the SEU is in the formative stage, with the City's Charter amended to reflect creation of the utility and the SEU ordinance, which outlines governance roles and responsibilities as well as SEU-authorities, adopted by Council. The City also just hired the first SEU Executive Director who will begin her tenure in late August. In addition, the City is writing the SEU's 5-year strategic plan, working to understand permitting, legal, and design components related to launching the SEU, and having preliminary conversations with SEU participants as well as potential funders about financing the SEU's first tranche of renewable energy purchases.

At the core of the SEU is the concept of compressing costs and accelerating clean-energy adoption by leveraging a municipal utility capable of ameliorating the high upfront costs for renewable energy adoption and creating lower rates by leveraging bulk purchasing, batch delivery, and the City's strong bond rating. Leveraging these tools combined with the City's strong relationship with residents, businesses, and institutions mean that the SEU is already creating a pipeline of projects as more residents and businesses opt-in to the utility. In fact, initial interest in the SEU is so strong that nearly 1,000 residents are already on the SEU waitlist and the City is working with Ann Arbor Public Schools and the Ann Arbor Housing Commission to potentially have them serve as the first SEU clients!

The Ann Arbor SEU will start as a City department with rates based on the services a customer takes. All assets installed by the SEU (other than those financed via on-bill financing) will be owned by the utility (not the resident or business). The conceptual design for the SEU is strong with broad public support, but it's time to move from conceptual to fully designed, then to financed and operational.

To support this objective, the City needs to undertake the following critical program design activities:

- Creating a comprehensive public-private partnership plan to support all phases of SEU creation, launch, and deployment. This includes:

    - educating and engaging with private renewable energy providers to understand how best to involve them in the SEU
    - initiating exploratory conversations with bond markets and financial institutions regarding the SEU
    - Retaining external bond counsel to advise the City on legal and financially viable pathways to financing the SEU
    - Hiring a rate firm to help with cost-of-service studies and foundational rate work and rate sensitivity analyses
- Creating and initiating a customer engagement and educational strategy to grow the waitlist and SEU project pipeline with a focus on LIDAC community recruitment
- Creating the SEU staffing plan and associated job descriptions
- Developing a service deployment plan and schedule, including details about which technologies to deploy first, how to determine deployment timelines and geographic areas of focus, when to phase in new offerings, and how to sequence improvements
- Creating a detailed investment strategy that incorporates financing mechanisms such as Green Bonds, low-interest loans, tax incentives, and more to eventually finance the SEU's first tranche of clean energy projects.

Ideally supported by a CGC Phase II grant, Ann Arbor will then conduct project specific predevelopment work for its initial batch of clean energy projects for roughly 20-25MW of generation. These predevelopment activities will include solar and storage system design and construction document development, entitlements and permit processing, final rate design, contract development and execution with delivery partners, and customer contract creation.

Overall, Ann Arbor's proposed project will:

1. **Enhance Sustainability**: By investing in renewable energy and energy efficiency, Ann Arbor will significantly reduce its carbon footprint.

2. **Center Equity and Inclusion**: The project will target low-income neighborhoods, ensuring equitable access to clean energy solutions and significantly reducing energy poverty.

3. **Foster Economic Growth**: New investments in clean energy projects will stimulate local economic growth, creating high-quality, well-paying jobs in the renewable energy sector.

4. **Enhance Resilience**: Clean energy projects paired with storage will improve energy resilience, ensuring that the city can better withstand the challenges posed by climate change, such as extreme weather events and power outages.

5. **Contribute to Field Building**: The SEU is an innovative approach that will drive transformative change in the city's energy landscape while simultaneously serving as a replicable model for working towards a just transition to a clean, safe, healthy, and resilient energy system.

The funding and support provided through the Municipal Investment Fund will help accelerate the city's transition to a clean energy future while also creating a new innovative pathway that other local communities can replicate.