



Summary of HB 4123

INTENT:

The bill would clarify in statute that municipal wastewater and drinking water projects utilizing energy performance contracting are eligible for financing under Michigan’s state revolving loan fund (SRF) programs.

BACKGROUND:

- Performance contracting guarantees future energy and operational savings from the improvements in the wastewater or drinking water project and captures those future savings to, at least in part, finance the cost of the project.
- While significant energy and operational savings can be realized in wastewater and drinking water project improvements, they may not always be sufficient to self-fund the entire project.
- Access to the state’s revolving loan fund programs offers municipalities a low-cost financing alternative to bonding for these projects.
- By incentivizing the utilization of performance contracting, captured energy and operational savings reinvested into the cost of the project would:
 - reduce the amount of funding ultimately sought from the loan fund program, allowing more projects to be funded,
 - reduce the amount of funding municipalities would have to seek in the form of rate increases from water/sewer customers to pay back the SRF loans, and/or
 - allow more improvements to be funded than could be achieved without reinvesting the captured savings.

DETAILS OF THE PROVISIONS IN THE BILL:

- 1). **Federal Poverty Guidelines** (page 4, lines 17-21) – technical update to the statute
- 2). **Definition of a Clean Water (Wastewater) Project** (page 6, lines 5-16) – amends the definition of a “project” for the clean water (wastewater) SRF program to include those that are performance contracting projects as already defined in Michigan’s performance contracting statutes for local governments.
- 3). **Definition of a Drinking Water Project** (page 7, lines 15-27) – amends the definition of a “project” for the drinking water SRF program to include those that are performance contracting projects as already defined in Michigan’s performance contracting statutes for local governments.
- 4). **Energy Efficiency Considerations for Drinking Water Project Plans** (page 10, line 22- page 11, line 4) – amends the existing provision on energy efficiency consideration to also reference energy performance contracting.