

ON-BILL FINANCING: INTRODUCTION AND CASE STUDIES

March 24, 2016

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EESI
Environmental and
Energy Study Institute



Environmental and Energy Study Institute

*Carol Werner,
Executive Director*

- Founded in 1984 by a bipartisan Congressional caucus as an independent non-profit organization (but receives no federal funding)
- Source of non-partisan information on energy and environment policy development
- In addition to policy work, EESI provides direct assistance to utilities to develop “on-bill financing” programs

ON-BILL FINANCING (OBF)

- Utilities finance energy/water improvements to customers' homes (or facilitate 3rd party financing)
- Loans (or tariff charges) are repaid on the customer's monthly utility bill
- Payments are partially/completely offset by savings from the financed improvements
- At least 60 utilities in 22 states offer OBF in some form, with many variations

EXPANDING ACCESS WITH OBF

- Many OBF program feature:
 - No upfront costs to participants
 - Alternative loan underwriting
(i.e. good bill payment history in lieu of credit check)
- Loan default rates are typically low, even with alternative underwriting
- Gives cash-strapped and credit-poor households a better opportunity to access energy savings

OBF WITH SOUTH CAROLINA CO-OPS



Shape Up Your Home for Energy Savings

On-Bill Financing Pilot

- 2011-2012
- 8 co-ops, 125 homes
- Main Purpose: test cost-effectiveness of utility-driven EE financing
- USDA and G&T funding
- 34% energy savings

Working OBF Programs

- 2012 - Present
- 5 co-ops, 375 homes (as of 10/10/15)
- Purpose: Member service
- Mix of co-op and USDA \$ for lending capital

HMH PILOT PROGRAM FEATURES

- Co-ops provided low-interest loans to their members to finance 'whole house' energy efficiency retrofits
- Loans are repaid on monthly utility bills, typically over 10 years
- Tariff program: loan is tied to the meter, not the occupant
- When the person moves, the loan is transferred to the next occupant
- To qualify, households need to have good bill payment history (no credit checks)

ANNUAL SAVINGS: AVERAGE HMMH HOME

\$1,157		\$288	Annual Net Savings
	Annual Energy Savings	\$869	Annual Loan Repayment

All values are per home averages for a typical meteorological year

HOW\$MART – MIDWEST ENERGY

- Tariff-based EE program with no loan document (modeled after PAYS®)
- More than \$8 million across 1,400 residential loans since 2007
- 3% interest + one-time 5% admin fee
- Loans limited to 90 percent of projected savings
- Only credit criteria is being current on utility bill
- Savings per project: 20% electric, 33% gas

MUNI PROGRAM: TALLAHASSEE UTILITIES

- 32 years, \$130m in loans, 17,000 retrofits!
- 5% interest + 1% processing fee
- Loans up to \$10k (\$20k for solar, cool roofs)
- No credit check, but exclusions for bankruptcy, foreclosure, or poor utility bill history
- Default rate about 1%
- Self financed through rates, revolving loan
- Self-sustaining program

COMMUNITY SOLAR + OBF

- 3/4 of community solar programs require upfront investment
- “Pay as you go” becoming more popular
- Grand Valley Power Co-op (CO) replaced upfront payment with “Zero Down Solar”
 - \$15/mo for 5 yrs (\$900) for 21-yr lease
 - Avg credit of \$4/mo = \$1,008 after 21 yrs
 - Program participation **doubled**
- Lake Region Electric Co-op (MN) offers 3-yr payment plan option



ON-BILL FINANCING PROJECT ASSISTANCE

EESI offers free assistance:

- Provide experience and lessons learned from South Carolina co-ops' OBF pilot
- Assess whether OBF is a good fit
- Identify resources, help overcome barriers to get projects off the ground
- Help design the OBF program
- Help utilities and others access funding
- Advise on program implementation

Contact Us

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