ON-BILL FINANCING: INTRODUCTION AND CASE STUDIES

March 24, 2016

John-Michael Cross

EESI
Environmental and Energy Study Institute
• 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:
  o No upfront costs to participants
  o 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

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 HMH Home

<table>
<thead>
<tr>
<th>Annual Energy Savings</th>
<th>Annual Net Savings</th>
<th>Annual Loan Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,157</td>
<td>$288</td>
<td>$869</td>
</tr>
</tbody>
</table>

All values are per home averages for a typical meteorological year.
HOWSMART – 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
www.eesi.org/OBF
OBF@eesi.org
202-662-1883
Environmental and Energy Study Institute

John-Michael Cross
jmccross@eesi.org
202-662-1883

Miguel Yanez
myanez@eesi.org
202-662-1882

www.eesi.org/OBF