



ON-BILL FINANCING: An Energy Efficiency Tool



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For more information: www.climatecommunities.us



About Climate Communities

- Coalition of cities and counties interested in renewable energy / energy efficiency tools and resources
- Helped create the DOE Energy Efficiency and Conservation Block Grants, HUD Sustainable Communities Initiative and EPA Climate Showcase Communities Program
- Weekly webinars on funding opportunities, important federal policies and best practices



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The Retrofit Challenge

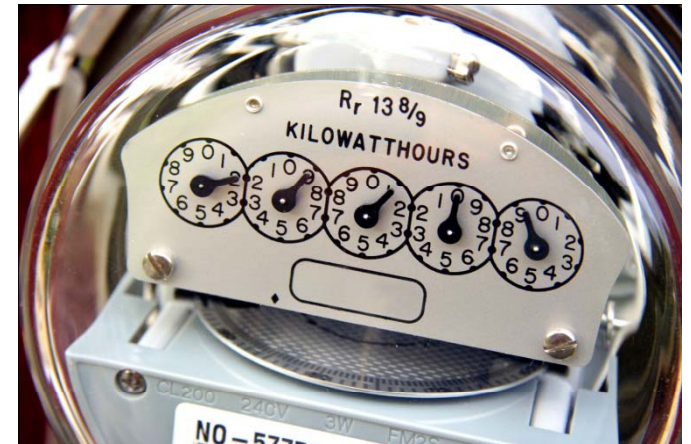


- Less energy
- Improved comfort
- Cost savings
- Green jobs



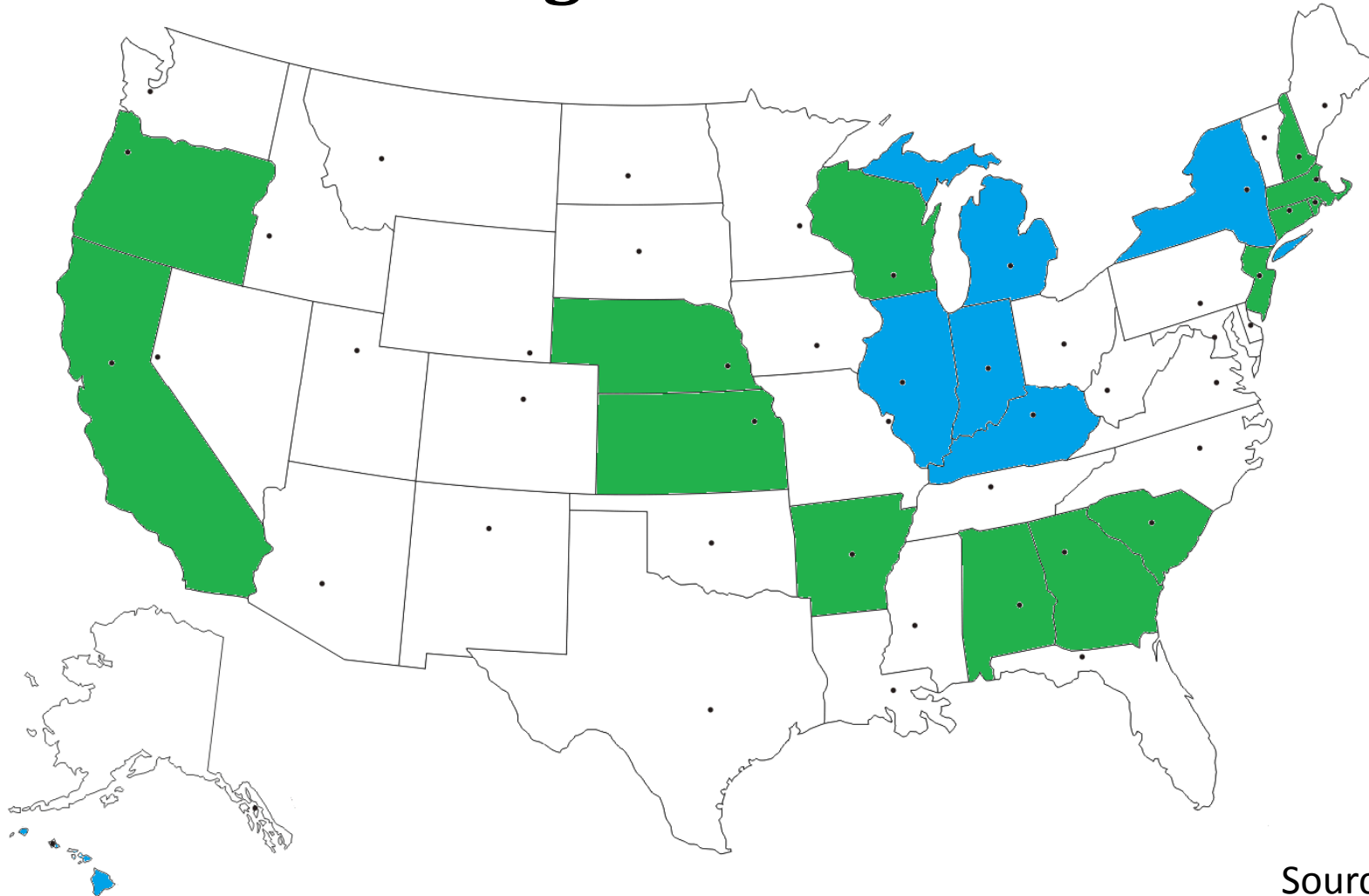
What is On-Bill Financing?

- Financial product serviced by, or in partnership with, a utility
- Energy efficiency improvements repaid through monthly utility bills
- Appropriate for residential, commercial and industrial buildings
 - Targets: small businesses and homeowners
 - Utility savings of 15-30% typical
- Flexible – no “one size fits all” approach





On-Bill Financing Across the United States



Source: ACEEE



Benefits of On-Bill Financing

- Customer perspective
 - Existing relationship with utility
 - Convenient
 - Financing paid back with savings
 - Available to rental properties
- Capital investor perspective
 - Existing relationship with customer
 - Collection track record
 - Established collection procedures





Sources of Capital

- Ratepayer funds
- Grants
- Public loans
- Bonds
- Community Development Financial Institutions
- Banks and credit unions
- **Private capital**



On-Bill Loan vs. Tariffs

Loans

- Extends financing to individual or company
- Typically non-transferrable
- Must follow the state's consumer lending laws
- Less common for residential properties

Tariffs

- Financial obligation assigned to property or meter
- Can transfer to subsequent owners and renters
- Many states do not consider tariffs loans, and thus utilities do not have to follow consumer lending laws
- Can be structured as an energy efficiency service rather than debt



Example: On-Bill Loan Program

- Clean Energy Works Oregon
 - Initiated as the Clean Energy Works Portland pilot program
 - 2009: Oregon enacted the Energy Efficiency and Sustainable Technology Act (HB 2626)
 - Administered through non-profit
 - Utility provides repayment service, and carries no risk
 - Funded by existing funds, DOE grant
 - Eligibility
 - Certain counties
 - Must own and occupy home
 - Built before 1993
 - Single-family, detached structures
 - Not listed on National Register of Historic Places





Example: On-Bill Loan Program

- Clean Energy Works Oregon
 - Expert staff conduct an energy assessment to help identify appropriate improvements
 - No money down financing (up to \$30,000)
 - Eligible improvements
 - Attic, wall and floor insulation, high-efficiency heating systems or windows
 - If you sell your home, outstanding loan balance becomes due and must be paid in full
 - Results
 - 1,400 homes retrofitted
 - 1.8 million kWh of electricity saved
 - 130 jobs created
 - Default rate: 0.002%





Example: On-Bill Tariff Program

- Midwest Energy's Kansas How\$mart Program
 - Launched in 2007
 - Provides residential, commercial and industrial financing
 - Funded with utility resources, and supplemented by low cost funding when available
 - Participating customers must start with an energy audit to determine potential savings
 - Low-interest rates – 4.5% for residential customers over 15 years; 6.0% for commercial properties over 10 years
 - Monthly surcharge covers the cost of qualifying improvements
 - Surcharge is tied to the location – if you move or sell the property, the next customer pays the surcharge
 - More than 650 projects completed





Barriers to On-Bill Financing

- Upfront costs to utilities
- Need to modify billing systems
- For loan programs, unfamiliarity with consumer lending laws
- Risk of non-payment
- Finding capital
- Low participation



Model Legislation

- Some states must enact legislation to allow on-bill financing
- Check out:
 - Hawaii
 - Illinois
 - Michigan
 - New York
 - South Carolina





Thank You

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