Enabling Investments in Energy Efficiency: On-Bill Repayment Programs

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Key Financing Lessons

#1 People have to WANT what you're financing

→ Creating a financing option is never enough on its own
→ Many EE financing programs are severely underutilized

Key Financing Lessons

#2 Make it EASY, appropriate to the job & target audience, and competitive

→ Easy for both participants & contractors
→ One product may not work for comprehensive retrofits AND emergency replacements
→ Need to consider WHO will have access
→ Interest rates need to be reasonable (but not necessarily 0%)
Key Financing Lessons

#3 Engage contractors in the design & deployment of financing programs

- The existing programs with a higher volume of projects ACTIVELY engage contractors as partners:
  - NYSERDA
  - Keystone HELP
  - Sacramento Municipal Utility District (SMUD)
  - Manitoba Hydro
2 Types of On Bill Repayment

On Bill Repayment = The utility or some other entity (such as a third party financial institution) incurs the cost of the upgrade and the customer repays the investment through a charge on their utility bill.

1. On Bill Loan

2. On Bill Tariff
On Bill Loan

- Utility or 3rd party provides upfront capital
- Adds repayment to existing utility bill

Examples: Manitoba Hydro, Dixie Electric Coop, Clean Energy Works Portland

$\text{Upfront} \rightarrow \text{Identifies work & contractor based on utility criteria} \rightarrow \text{Repays financing on utility bill} \rightarrow \text{Remaining balance must be repaid when the tenant moves}$
On Bill Tariff

- Creates approval process and project criteria
- Provides upfront capital
- Attaches repayment obligation to the meter
- Repays financing on utility bill
- Repayment obligation transfers with tenancy

Residential Example: Midwest Energy
Advantages & Disadvantages

+ Savings paired directly with repayment on the same bill
+ Can use capital from a variety of sources
+ Can be structured to meet the needs of different markets
+ Provides a secure revenue stream since failure to pay is often tied to disconnection
+ Can use past bill repayment as a proxy for credit
+ Allows for longer term investments and can address rental units (on-bill tariff)

- Utilities are often reluctant to take on role of financing entity; potential exposure to consumer lending laws and alterations to billing systems are required.
- Can be extremely complicated to setup (on bill tariff especially)
- Limited to shorter term financing (on bill loan only)
- Participants must pay off entire loan upon sale of property, which could result in not all of the energy savings being realized (on bill loan only)
Key Issues to Consider

- Changing billing system appears to be difficult for some utilities
- Repayment allocation (i.e., who gets paid first) is an issue when customers partially pay their bills
- Using On Bill Repayment for improvements that save fuels not included on the bill may be confusing (e.g. if bill is electricity-only and the improvements save gas)
- The commitment of the utility to the On Bill Repayment program is critical
R2 Grantees Exploring On bill

• Portland has an existing program - Clean Energy Works
• Michigan
• New York
• Indianapolis
• New Hampshire
• Seattle
• Sonoma County (a sub-grantee of LA County’s R2 proposal) is exploring an on water bill program
Existing DOE Resources

DOE’s Solution Center page on On Bill Repayment:
http://www1.eere.energy.gov/wip/solutioncenter/financialproducts/OnbillRepayment.html

Portland Clean Energy Works webinar from Feb 11, 2010:
http://www1.eere.energy.gov/wip/solutioncenter/webcasts/default.html
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