



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



EE Financing Report: www.veic.org/ResourceLibrary.aspx

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**



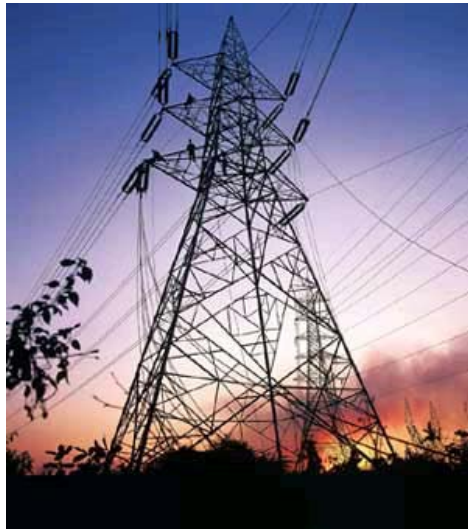
2 Types of On Bill Repayment



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



\$\$ Upfront



\$\$ Repaid
on **utility bill**



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

- Identifies work & contractor based on utility criteria
- Repays financing on utility bill
- **Remaining balance must be repaid when the tenant moves**

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

On Bill Tariff



\$\$ Upfront



\$\$ Repaid
on **utility bill**



- Creates approval process and project criteria
- Provides upfront capital
- Attaches repayment obligation to the meter

- Identifies work & contractor based on utility criteria
- 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/financial_products/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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