On-Bill Financing for Rural Communities

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ON-BILL PROGRAMS

• 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 at least partially offset by savings from the financed improvements
• At least 92 utilities in 37 states offer “on-bill” in some form, with many variations
ON-BILL FINANCING

Utility → Contracter

Energy improvements made

Capital Provider

Repays over time as part of utility bill
**SAVING AND REPAYING “ON THE BILL”**

<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>

Average first-year results for the 125 participants in South Carolina cooperatives’ “Help My House” on-bill financing pilot program.
**On-Bill Loan & On-Bill Tariff**

- **On-Bill Loan** – traditional financing to an individual, repaid through the utility bill
- **On-Bill Tariff** – cost recovery charge attached to the utility meter
- **Meter-Based Loan** – loan is attached to the utility meter (and not the individual)
ON-BILL OPPORTUNITIES

• Reduce barriers to clean energy programs
• Deeper energy savings
• Low risk of defaults
• Improved utility-customer relationships

ON-BILL CHALLENGES

• Where does the capital come from?
• Utility capacity
• Contractors
• “We don’t want to be a bank”
EXPANDING ACCESS WITH ON-BILL

- Many on-bill programs feature:
  - No upfront costs to participants
  - Alternative underwriting (i.e. good bill payment history in lieu of credit check)
- Default rates are typically low, even with alternative underwriting
- Opportunity for cash-strapped and credit-poor households
- Transferability can allow renters to participate
WHERE DOES THE CAPITAL COME FROM?

• USDA loan programs for rural utilities
  – Energy Efficiency & Conservation Loan Program (EECLP)
  – Rural Energy Savings Program (RESP)
  – Rural Economic Development Loan & Grant (REDLG) Program

• Cooperative Banks
• Credit Unions
• Community Development Finance Institute (CDFIs)
• Utility Internal Funds
• Large Private Lenders?
### Rural Energy Savings Program

<table>
<thead>
<tr>
<th>Total Funding</th>
<th>~ $50 M per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>Entities that provide electric service to rural areas</td>
</tr>
<tr>
<td>Purpose</td>
<td>To help rural families &amp; rural small businesses reduce energy costs or consumption</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>0%</td>
</tr>
<tr>
<td>Maximum Loan size</td>
<td>Not specified; largest to-date to single utility is $5.8M</td>
</tr>
<tr>
<td>Mark-up to end user</td>
<td>Capped at 3%</td>
</tr>
<tr>
<td>Loan term</td>
<td>Up to 20 years</td>
</tr>
<tr>
<td>Acceptable financial structures/ investments</td>
<td>Re-lending such as on-bill financing, tariff charge, PACE programs, traditional consumer loans</td>
</tr>
</tbody>
</table>

Next application window will open this summer!

*Source: USDA Rural Utilities Service*
**EX: SOUTH CAROLINA CO-OPS**

**OBF Pilot**
- 2011-2012
- 8 co-ops, 125 homes
- Loan pool from USDA REDLG loans
- 34% energy savings

**On-going OBF Program**
- 2012 - Present
- 5 co-ops, ~ 600 homes
- Loan pool from additional USDA REDLG & RESP loans

- Loan is tied to the meter, not the occupant (transferable)
- Participants need good bill payment history (no credit checks)
**EX: MIDWEST ENERGY IN KANSAS**

**OBF Program**
- 2007 – present
- 1,670 projects
- $9.7M invested (multiple capital sources)
- Total saved:
  - 3.9 M kWh/yr (equiv. to 355 homes)
  - 448,000 therms/yr (equiv. to 589 homes)
- Monthly repayment is less than 90% of predicted savings

- Tariff program – “repayment obligation tied to meter”
- Participants need to be current on utility bills (no credit checks)
ON-BILL PROJECT ASSISTANCE

EESI offers free assistance:

• Assistance to utilities to design on-bill programs and access funding
• Details, case studies, and lessons learned from other working on-bill programs
• Resource identification, help overcoming barriers to launching projects
• Advice on program implementation
• OBF Primer and OBF How-to-Guide

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