On-Bill Financing for Member-Owned Utilities in the Midwest

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On-Bill Financing: Overview and Opportunities

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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 develop on-bill financing programs
**On-Bill Financing**

- Loans that are repaid on the monthly utility bill
- Utilities can finance EE improvements to customers’ homes
- EE alternative to homeowners that can’t afford upfront costs
- Can be designed to be bill neutral (or better)
- Allows for alternative methods of underwriting (i.e. good bill payment history in lieu of credit check)
Wide Range of OBF Benefits

• Homeowner/Renter
  o Lower monthly energy bills
  o Increased comfort in the house

• Community
  o Increased local economic activity and job creation
  o Supply chain is developed

• Electric Utility
  o Lower demand costs
  o Increased member satisfaction
  o Increasing members' energy efficiency helps co-ops delay building expensive new power plants by helping decrease demand.
ON-BILL FINANCING IS NOT NEW

• At least 60 utilities in 22 states offer on-bill financing to their members
• Typical interest rate is 5%
• Most programs target the efficiency upgrades for the residential sector
• As utilities generally use their own funds for financing, these programs tend to be small in size
The Business Case for OBF

- **Short Term**
  - Participant and member satisfaction positive
  - Load factor impacts minimal
  - Lost revenue would be small, even for a long term aggressive program

- **Long Term**
  - EE targets in EPA’s proposed Clean Power Plan
  - Energy efficiency is cheaper than new generation - likely less than 2 cents/kWh
  - Broader economic benefits for local businesses and supply chain
HOW TO FINANCE AN ON-BILL PROGRAM?

- Energy Efficiency Conservation Loan Program (EECLP)
- Rural Economic Development Loan Grant (REDLG)
- Cooperative Banks (CFC, CoBank)
- Credit Unions
- Utility Internal Funds
EECLP BASICS

• Operated by the USDA Rural Utilities Service (RUS)
• Program went into effect February 2014
• New opportunity RUS borrowers (rural utilities) to start up or expand EE activities, both up- and down-stream
• Rolling, non-competitive application process
• Interest rate is the direct Treasury rate plus 1/8
EECLP Eligibility

- Any electric utility is eligible for the EECLP provided that it serves a rural area.
- “Rural area” is defined as a town of less than 20,000 people.

- Wide range of eligible activities:
  - EE improvements along entire system
  - Distributed generation
  - Demand side management
**Loan Provisions**

- Loans $ given on reimbursement basis
- Up to 5% of the total loan can be accessed upfront for start-up costs
- Consumer outreach programs may not exceed 5% of the total loan

**Application Process**

- Similar to existing RUS loan programs
- Additional requirements:
  - Quality assurance plan
  - Business plan
- Utilities can contact their GFR to get started
EECLP Recipients

Roanoke Electric Cooperative (NC)
• 12,500 residential customers
• $6 million borrowed from EECLP at 3.5%
• Relending program for home energy retrofits
• Goal: 1,000 whole house retrofits in 5 years

North Arkansas Electric Cooperative
• 33,500 residential customers
• $4.5 million borrowed from EECLP at 3.5%
• Relending program for building retrofits across all sectors
USDA Resources for EECLP

• Main USDA EECLP web page
• EECLP Final Rule
• EECLP Background Presentation
• EECLP Toolkit
• Toolkit Summary Presentation
• List of RUS Electric Program General Field Representatives
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

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