

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

*Speakers:*

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# ON-BILL FINANCING: OVERVIEW AND OPPORTUNITIES

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**EESI**  
Environmental and  
Energy Study Institute



# Environmental and Energy Study Institute

*Carol Werner,  
Executive Director*

- 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
  - Lower monthly energy bills
  - Increased comfort in the house
- Community
  - Increased local economic activity and job creation
  - Supply chain is developed
- Electric Utility
  - Lower demand costs
  - Increased member satisfaction
  - 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](#)



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## Contact Us

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# 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

# QUESTIONS?

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