

## **Strategy: On Bill Repayment with Rebates**

**Recommendation:** Austin Energy would allow for repayment for energy efficiency retrofits on a customer's monthly utility bill. A rebate would also be provided.

**Description:** \*The utility assists customers in attaining cost-effective energy upgrades at customer sites – like better building efficiency, HVAC systems and rooftop solar. The customer pays nothing upfront for the upgrades they choose because the utility pays the installer. Using a tariff, the utility puts a fixed charge on the customer's monthly bill that is less than the estimated savings generated by the upgrade – so the customer enjoys immediate and sustained cash flow. Until the investment is recovered, the tariff for the improvement charge automatically transfers to future customers at that site. Providing On-Bill Repayment simplifies the payment process for customers

\*On Bill Repayment (OBR) clears the biggest barriers to financing because it does not depend on a consumer loan, long-term lease, or a lien on the value of the property. Renters and low-income households have faced barriers to accessing investment capital for cost-effective energy upgrades, and similar financing challenges have stumped credit-strained companies and local governments.

\*Compared to typical debt-based programs, experience shows that OBR has a bigger impact for these reasons:

1. First, the addressable market is double the size because nearly all customers are eligible.
2. When customers are offered upgrades with the OBR value proposition, they accept more than half of the time, which is 5 times the typical rate.
3. When customers do accept, the projects they undertake are much larger because the terms are more attractive.

**Precedents:** States with utilities conducting some type of OBR program include AR, CA, CT, HI, KS, KY, NJ, NY, and SC. In Texas, Guadalupe Valley Electric Coop uses OBR to collect air conditioning service charges on the monthly bill. The Pedernales Electric Coop is developing an OBR program to finance PVs. Austin Energy's "Nightwatchman" program that leases lighting equipment as part of a security lighting electric rate goes back to 1979. This rate and program are similar to a number of utilities around the country.

**Estimated Cost:** Depending on how the financing is structured, the cost effectiveness should be less than or equal to AE's current financing program for home efficiency. Initial capital must be provided; \$500,000 is suggested for a pilot project either from Austin Energy directly or a third party. This does not include staff time.

\* <http://cleanenergyworks.org/blog/pay-as-you-save-pays-harnesses-a-proven-utility-investment-model-to-offer-virtually-all-consumers-cost-effective-energy-upgrades/>

## **Strategy: City-Financed Loan/Lease Program with Rebates**

**Recommendation:** If On-Bill Repayment is blocked for legal reasons, Austin Energy could reinstate its home energy improvement loan that it operated in the early 1980s.

**Precedents:** The Austin program in the early 1980s used COA money as principal.

**Problems:** This would require two bills instead of one.

Tenants might have to sign a form that alerts them to their obligation to pay the loan or lease. As discussed in the On-Bill Repayment strategy above, ways would have to be devised to deal with default.

**Benefits:** Similar to what is discussed in On-Bill Repayment strategy above.

**Estimated Cost:** Depending on how the financing is structured, the cost effectiveness should be less than or equal to AE's current financing program for home efficiency. Initial capital must be provided; \$500,000 is suggested for a pilot project. This does not include staff time.