

On-Bill Repayment Recommendation

Recommendation: Austin Energy would allow for repayment for energy efficiency retrofits on a customer's monthly utility bill. Rebates would also be provided for qualifying measures.

Description: The utility assists customers in attaining cost-effective energy upgrades at customer sites – like better building efficiency, more efficient appliances, HVAC systems and rooftop solar through on-bill repayment.

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. Transparency would be assured by requiring building owners to inform future buyers or renters of the property of the on-bill repayment in place.

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 lower-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 On-bill Repayment 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. Money could also be utilized for a loan-loss guarantee. There could also be some cost involved for the redesign of the bill to include the tariff or payment for repaying the loan. This does not include staff time.

Program Design and Other Issues: An On-bill Repayment program will require important design characteristics, including program objectives, target market, financial product structuring, program administrator (be it Austin Energy or a third party), capital source, credit enhancements, customer eligibility requirements, project eligibility requirements, installation, marketing and the amount of incentives (ie rebates). The projects should be revenue-neutral and aimed at saving at least 10% energy use. Both homeowners and renters could be considered. The Task Force believes that the middle-income and moderate-income residential market may be an important target group, since this group does not qualify for free weatherization, but with a combination of rebates and on-bill repayment could enjoy significant savings. Potential models to look at include Clean Energy Works Oregon, New York On-Bill Recovery Loan Program and Kansas' How\$mart program. The Task Force reiterates that there should be no disconnection for non-payment, utilizing more standard collection measures, and utilizing a loan-loss reserve account if payment is not secured.

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