Inclusive Financing for Efficiency Upgrades

High energy bills are common in buildings and homes that waste a lot of energy. Efficiency upgrades can lower those high bills and improve residents' quality of life by providing better comfort, yet make those upgrades often requires *payment upfront*.

To make these improvements, some people pay cash out of pocket while others may take out a loan if they have strong credit and own their home as collateral. *But most people do neither.* The barriers are too high, so high energy bills continue to squeeze already-tight family budgets.

What can we do?

Inclusive financing breaks through these barriers by allowing a utility to invest directly in energy efficiency upgrades ***regardless* of a customer's income, credit score, or renter status.**

The utility covers the upfront cost of cost effective upgrades—without requiring either the building owner or the renter to qualify for a lease or a loan to take on new debt—and it recovers those costs on the utility bill with a charge that is significantly less than the savings.

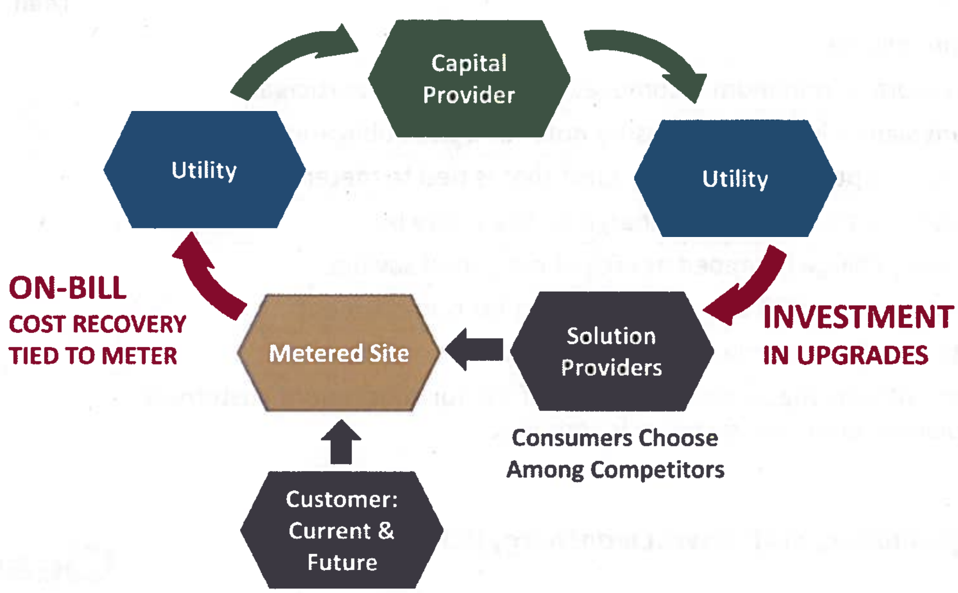
These upgrades generate immediate net savings for consumers and make solar more affordable, whether through community solar or on-site rooftop solar.

Where is inclusive financing for energy upgrades available?

Utility regulators in Kansas, Kentucky, Arkansas and more have already approved opt-in tariffs for efficiency upgrades. Although only a few leading utilities in each of those states are taking advantage of the opportunity thus far, all of them are using the same system for their program design, called Pay As You Save® (PAYS®).

Pay As You Save® (PAYS®)

PAYS offers all utility customers the option to access cost effective energy upgrades using a proven investment and cost recovery model that benefits both the customer and utility.



How does inclusive financing work?

First, the customer opts into a terms-of-service agreement (a tariff) that allows the utility to: (1) invest in the energy upgrades and (2) recover its cost with a charge on the bill that is capped at 80% of the estimated savings from the upgrade during 80% of the life of the upgrade. As a result, the household has *positive cash flow* from the start.

If the investment is not cost effective, the customer can make a co-payment upfront to buy down the cost of the system. Once the utility has recovered its costs for the upgrades, the monthly charge ends, and the customer's bill goes down even more because they get all the savings from the upgrades, which last even longer.

What happens if a customer moves?

The utility's investment is tied to the meter at the building, so it doesn't follow the customer. The tariffed charge applies to the next customer at that meter, who also enjoys the lower bills from the upgrades.

If the customer is a renter and decides to move, the landlord simply has to let future renters know that they are moving into an upgraded unit. For that reason, the cost recovery charge will appear on their utility bill—and that bill will be *lower* than it would have been without the upgrades for the same level of comfort.

If the customer owns the home or building and sells it, the customer must disclose the utility's investment in the upgrades to the buyer. Because there's no debt obligation or lien, there is no need to "pay off" the investment prior to selling the building.

What if the upgrades don't work?

Unless the customer damages or removes the upgrades, the utility must repair upgrades that stop working, or the charges stop. The utility recovers repair costs by extending the cost recovery term.

How is inclusive financing with PAYS different from on-bill loan repayment?

Attributes for an Efficiency Program	**On-Bill Loan**	**On-Bill Tariff**
Renters are eligible		✓
No credit score or minimum income level is required to participate		✓
Participant signs a loan or promissory note for a debt obligation	✓	
Participant accepts an opt-in utility tariff that is tied to meter		✓
Cost recovery is through a fixed charge on the utility bill	✓	✓
Cost recovery charge is capped at 80% of estimated savings		✓
Participant accepts tariff with disconnection for non-payment		✓
Payments end if upgrade fails and is not repaired		✓
Tariff runs with the meter and remains in effect for subsequent customers at that location until cost recovery is complete		✓

For more information, visit: www.CleanEnergyWorks.org

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