ENERGY EFFICIENCY
FINANCING INITIATIVE

# On-Bill Repayment Program in California

## SPURRING GREEN JOBS, CLEAN ENERGY, AND SAVING RATEPAYERS MONEY

### Benefits

- **Job growth** – Would generate more than 20,000 new jobs to manufacture and install cost-saving energy efficiency and renewable products in single family homes[1].
- **Clean energy** – Would result in approximately 7 million tons of reduced CO2 emissions per year[2].
- **Ratepayer and state savings** – Would promote energy efficiency and distributed energy resources that avoid the cost of expensive new power plants and other high cost generation —saving ratepayers money.

### How it works

On-bill repayment (OBR) offers an opportunity for home and building owners to finance energy efficiency and renewable electricity generation projects through cost-savings loans from third-party investors. The loans are repaid through customers' utility bills and financed at no additional cost to ratepayers. OBR allows for longer term loans with lower interest rates.

**Example-California homeowner**

Utility bill prior to energy upgrade: $240 per month[3]

Energy upgrade process:

- Independent contractor, with certified expertise, conducts in-home evaluation to identify investments that will result in energy and cost savings to the homeowner and then assists homeowner's application for a loan to pay project costs
- Once the loan is approved, the project is installed.
- Homeowner pays a combined monthly utility bill for both energy and loan repayment. The savings to the homeowner always exceeds the loan payments, so the customer sees a reduction in their monthly utility bill.

**New utility bill, loan included: $201 per month**

Projects examples: Duct sealing, insulation, new controls, new windows and new refrigerator.

Expected energy bill after upgrade: $144 per month

Loan needed for projects: $7,200

Loan terms:

- Interest rate on loan: 5%
- 15 years repayment schedule
- Monthly payment: $57

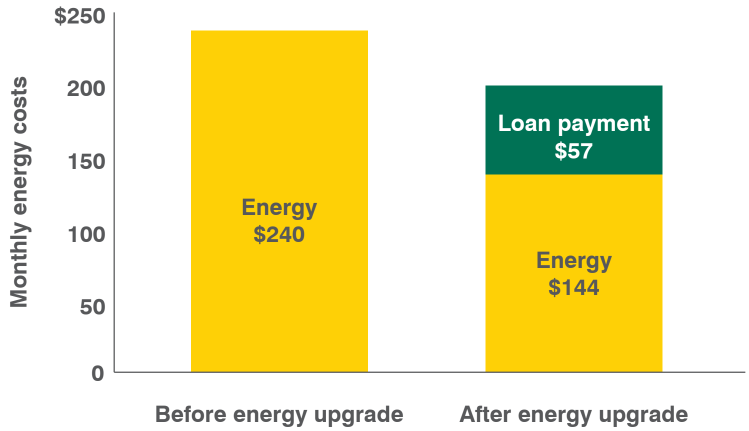
**Savings to California homeowner: $39 per month**

1 Assumes $2.7 bn of investment, 50% of project cost for labor and $65,000 annual labor costs per employer.

2 Assumes 5 years of investment at $2.7 bn per year, 50% solar projects with a 20-year life and a 10% return, 50% energy efficiency projects with a 10-year life and a 20% return, 0.15 average cost per kwh and a emissions factor based on combined cycle natural gas of 430 grams CO2 per kwh.

3 Calculated from EIA, Electric Power Annual, State Historical Tables 2009, released November 2010.

## OBR can help lower utility bills




## Q & A: On-Bill Energy Efficiency Repayment Program

***Q. Does a similar utility program already exist?***

A. No. Some utilities have established limited loan programs targeted at small businesses. However, these programs tend to have high administrative costs, use utility or ratepayer funds, and don't reach California homeowners. The On-Bill Energy Efficiency Repayment Program uses third-party capital to create low overhead, savings to ratepayers and will be able to scale up.

***Q. Would every project provide immediate net savings to the building owner?***

A. In order for a project to be eligible for this program, a neutral third-party inspector would need to certify that expected energy savings exceed debt service and the total bill will decline from previous levels. If energy costs rise over time, these savings will increase from initial levels.

***Q. What happens if a homeowner can't pay their utility bill?***

A. In the unexpected circumstance where a homeowner cannot afford to pay their utility bill, the utility would follow all standard procedures for unpaid bills before resorting to disconnection. The Lender would have no ability to request a customer disconnection. Partial bill payments would be allocated proportionally between lender and utility. Under the terms of the program, the new bill must be lower than the old bill and it will be easier for consumers to pay their utility bills.

***Q. What types of buildings will be eligible?***

A. Several leading financing institutions have expressed interest in financing a wide variety of commercial and residential buildings.

***Q. Can this program work for low-income renters who might have trouble qualifying for a loan?***

A. By mobilizing investor capital at low rates of interests, OBR provides a means to scale low-income programs to levels well-beyond current funds that rely solely on ratepayer contributions. As well, OBR solves split-incentive and high turnover challenges in rental homes by linking the loan to the meter, not the tenant.

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