



On-Bill Repayment Program

SPURRING GREEN JOBS, CLEAN ENERGY AND SAVING RATEPAYERS MONEY

Benefits¹

- **Job growth** – Would generate more than one million new jobs to manufacture and install cost-saving energy efficiency and renewable products in single family homes.²
- **Clean energy** – Would result in approximately 50 million tons of avoided global warming pollution within a decade.³
- **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 \$120 billion in energy bills.⁴

How it works

On-bill repayment allows building and home owners to obtain cost-saving loans for eligible energy efficiency and renewable electricity generation projects through their monthly utility bills. The loans are underwritten and financed by investors, not the utilities and not utility ratepayers.

Example: Texas homeowner

- Current utility bill: \$175 per month
- Investments: Duct sealing, insulation, programmable thermostat, new windows and new refrigerator.

- Expected utility bill savings: \$70 per month
- Investment loan: \$7,200⁵
- Loan terms:
 - Interest rate on loan: 5%
 - 15 years repayment schedule
 - Monthly payment: \$57
- Utility bill after retrofit: \$105
- Utility bill + loan payment: \$162
- **Savings: \$13 per month**

Savings will grow as utility energy rates increase.

¹ EDF calculation using economic potential of energy efficiency projects from *Unlocking Energy Efficiency in the U.S. Economy* (McKinsey & Co, 2009) and assuming on-bill repayment changes effective lending interest rate from 15%/year to 5%/year.

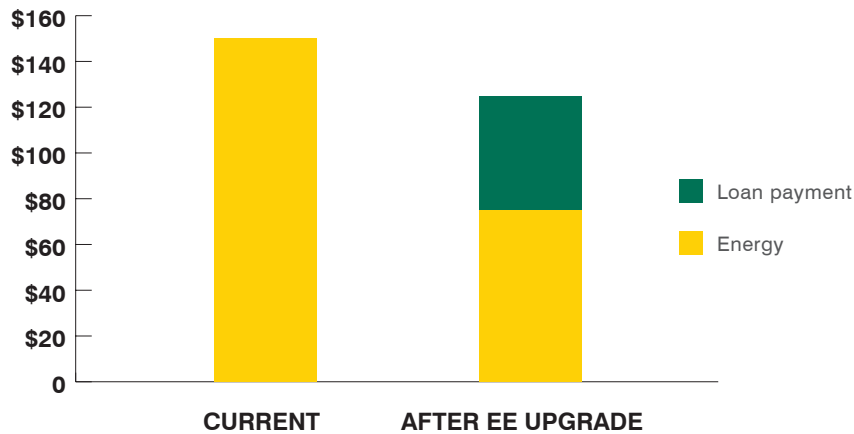
² Estimated range of 1 million to 1.3 million jobs depicts uncertainty about the rate of implementation and how quickly benefits are actually realized.

³ Estimated range is 42 million to 65 million metric tons of global warming pollution avoided during a 12-year implementation schedule starting in 2012.

⁴ Estimated range for energy efficiency investments is \$90 billion to \$160 billion in avoided energy costs; additional benefits can be enjoyed from investments in distributed local renewable energy.

⁵ Based on *Energy Efficiency Financing in California, Needs and Gaps, Preliminary Assessment and Recommendations* (Harcourt Brown & Carey, Inc., 2009).

OBR program causes lower net utility bill



Q & A: On-Bill 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 homeowners. The On-Bill 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 does not pay their utility bill, the utility would follow all standard procedures for unpaid bills. The Lender would not have authority to interrupt a customer's utility service. 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 up low-income programs without depending 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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