

# **ON-BILL FINANCING FOR RURAL COMMUNITIES**

**NEUAC CONFERENCE**

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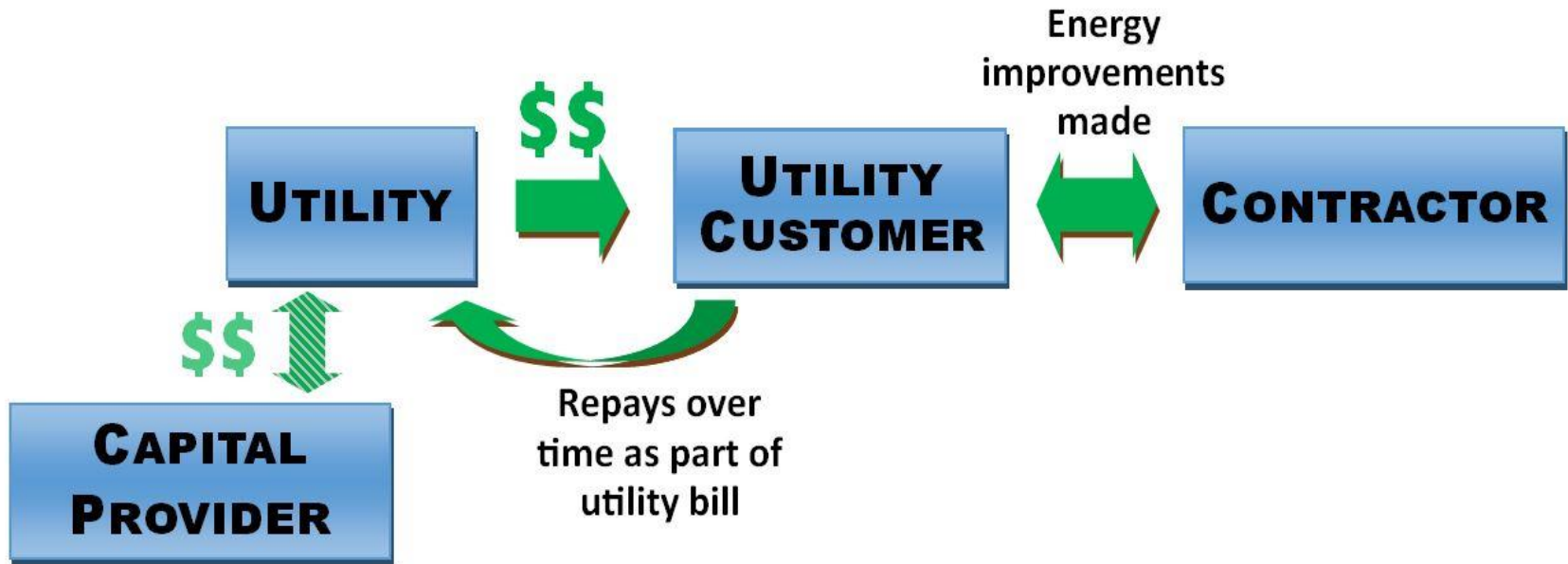
**EESI**

Environmental and  
Energy Study Institute

# ON-BILL PROGRAMS

- Utilities finance energy/water improvements to customers' homes (or facilitate 3<sup>rd</sup> party financing)
- Loans (or tariff charges) are repaid on the customer's monthly utility bill
- Payments are at least partially offset by savings from the financed improvements
- At least 92 utilities in 37 states offer "on-bill" in some form, with many variations

# ON-BILL FINANCING



# SAVING AND REPAYING “ON THE BILL”

\$1,157		\$288	Annual Net Savings
	Annual Energy Savings	\$869	Annual Loan Repayment

Average first-year results for the 125 participants in South Carolina cooperatives' "Help My House" on-bill financing pilot program

# UTILITIES WITH ON-BILL PROGRAMS



# ON-BILL LOAN & ON-BILL TARIFF

- **On-Bill Loan** – traditional financing to an individual, repaid through the utility bill
- **On-Bill Tariff** – cost recovery charge attached to the utility meter
- **Meter-Based Loan** – loan is attached to the utility meter (and not the individual)

## **ON-BILL OPPORTUNITIES**

- Reduce barriers to clean energy programs
- Deeper energy savings
- Low risk of defaults
- Improved utility-customer relationships

## **ON-BILL CHALLENGES**

- Where does the capital come from?
- Utility capacity
- Contractors
- “We don’t want to be a bank”

# **EXPANDING ACCESS WITH ON-BILL**

- Many on-bill programs feature:
  - No upfront costs to participants
  - Alternative underwriting  
(i.e. good bill payment history in lieu of credit check)
- Default rates are typically low, even with alternative underwriting
- Opportunity for cash-strapped and credit-poor households
- Transferability can allow renters to participate



# WHERE DOES THE CAPITAL COME FROM?

- USDA loan programs for rural utilities
  - Energy Efficiency & Conservation Loan Program (EECLP)
  - Rural Energy Savings Program (RESP)
  - Rural Economic Development Loan & Grant (REDLG) Program
- Cooperative Banks
- Credit Unions
- Community Development Finance Institute (CDFIs)
- Utility Internal Funds
- Large Private Lenders?

# **RURAL ENERGY SAVINGS PROGRAM**

<b>Total Funding</b>	~ \$50 M per year
<b>Eligibility</b>	Entities that provide electric service to rural areas
<b>Purpose</b>	To help rural families & rural small businesses reduce energy costs or consumption
<b>Interest Rate</b>	0%
<b>Maximum Loan size</b>	Not specified; largest to-date to single utility is \$5.8M
<b>Mark-up to end user</b>	Capped at 3%
<b>Loan term</b>	Up to 20 years
<b>Acceptable financial structures/ investments</b>	Re-lending such as on-bill financing, tariff charge, PACE programs, traditional consumer loans

Next application window will open this summer!

*Source: USDA Rural Utilities Service*

# EX: SOUTH CAROLINA CO-OPS



## **OBF Pilot**

- 2011-2012
- 8 co-ops, 125 homes
- Loan pool from USDA REDLG loans
- 34% energy savings

## **On-going OBF Program**

- 2012 - Present
- 5 co-ops, ~ 600 homes
- Loan pool from additional USDA REDLG & RESP loans

- Loan is tied to the meter, not the occupant (transferable)
- Participants need good bill payment history (no credit checks)

# EX: MIDWEST ENERGY IN KANSAS



## **OBF Program**

- 2007 – present
  - 1,670 projects
  - \$9.7M invested (multiple capital sources)
  - Total saved:
    - 3.9 M kWh/yr (equiv. to 355 homes)
    - 448,000 therms/yr (equiv. to 589 homes)
  - Monthly repayment is less than 90% of predicted savings
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- Tariff program – “repayment obligation tied to meter”
  - Participants need to be current on utility bills (no credit checks)

# ON-BILL PROJECT ASSISTANCE



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EESI offers free assistance:

- Assistance to utilities to design on-bill programs and access funding
- Details, case studies, and lessons learned from other working on-bill programs
- Resource identification, help overcoming barriers to launching projects
- Advice on program implementation
- [OBF Primer](#) and [OBF How-to-Guide](#)