

On-Bill Repayment Programs: Two Recent Cases, Commercial & Residential, & Topics to Address for Scale Up

May 8, 2012

Presented by:

John MacLean

Energy Efficiency Finance Corp.

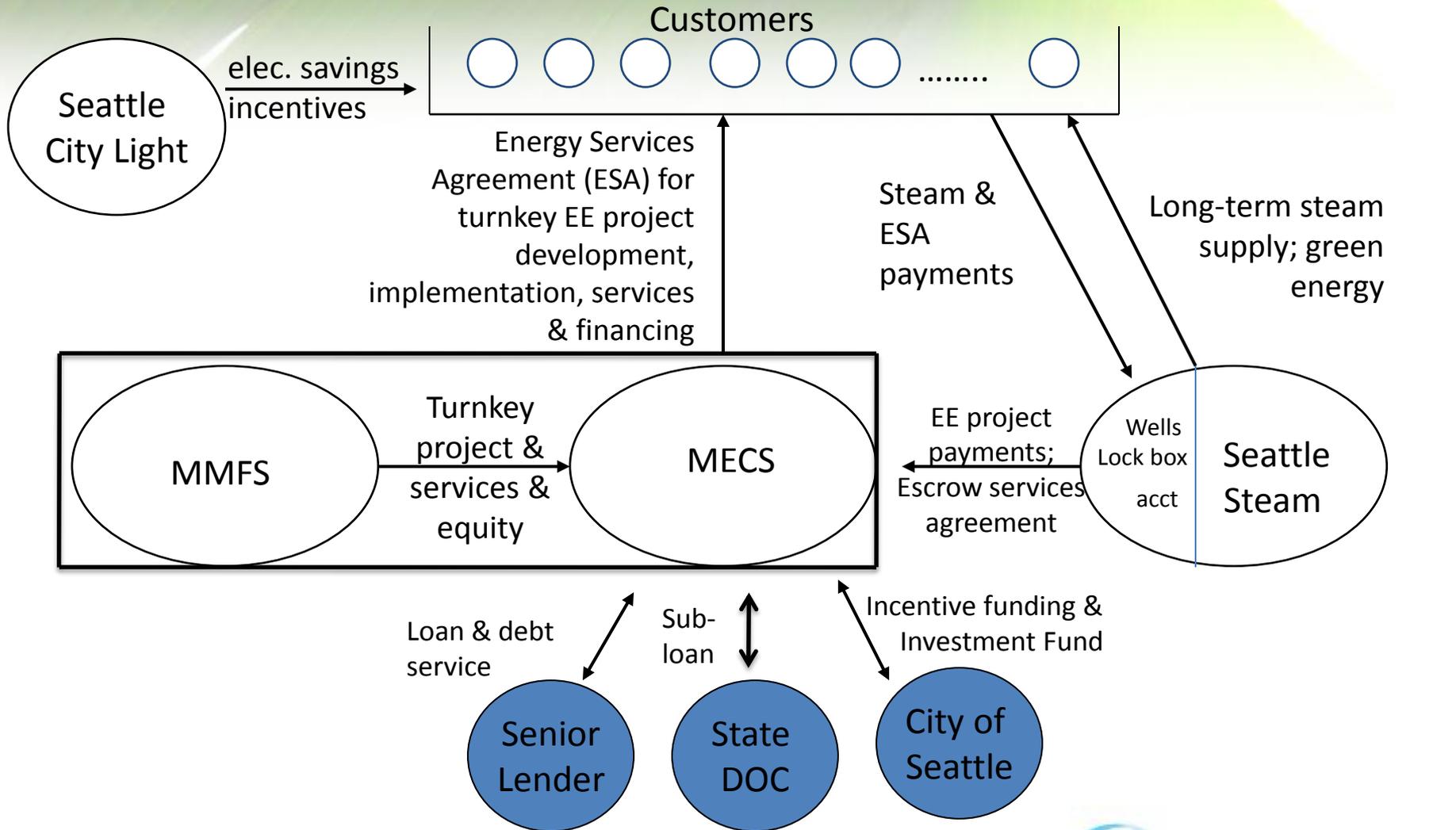
jmaclean@eefinance.net & phone = 360-339-3936



Seattle Steam Company Energy Efficiency Project Development & Finance Program

- EE investments for Seattle Steam Company customers on customer side of the meter
- MacDonald-Miller Facilities Solutions, Inc. provides turnkey project development, implementation & savings guarantees
- Customer signs Energy Services Agreement to make payments based on savings; this is not a loan but is OBR with an ESA
- Customer payments collected on SSC steam bill; lenders on the project get paid first in the order of disbursement
- ARRA funds used for subordinated debt financing, debt service reserve & carbon reduction incentives
- Sources of funds for first projects financings include mission-related foundation investment & carbon finance
- Scalable & replicable program

Seattle Steam Company & MMFS: Energy Efficiency Project Development & Finance Program



Illinois Residential OBF Program

- On-Bill Financing (OBF) program design prescribed by legislation (SB 1918, 2009). Utilities are: Ameren, ComEd, Nicor Gas & Peoples Gas
- Program targets single family residential property owners (up to 4 units); program includes small commercial
- Eligible measures: Estimated energy cost savings \geq customer's total cost of measures including finance charges over the measure's useful life
 - EE measures differ by utility
 - Electric Utilities: recent legislative action now allows all EE Portfolio measures to be eligible for OBF
 - Gas Utilities subject to Act's original cost-effectiveness criteria
- No up-front payment by customer required
- Financial institution partner procured; AFC First Financial Corp. selected
- Loans are made by AFC. Underwriting guidelines developed with the utilities & approved by the ICC
- Loan collections by utility on the utility bill; Utility makes aggregated loan payments to AFC monthly

Illinois Residential OBF Program(2)

- In the event of non-payment, the utility may suspend utility service and use other established collections and bad debt recovery methods
- Utilities assure full repayment of loans to AFC
- Max. program size = \$2.5 million/ utility = \$12.5 million total
- Coordinated Program marketing & implementation by Vendors, AFC and Utilities
- AFC's set up & loan origination costs are paid by Utilities. Utility Program costs are recovered through tariffs.
- Loan tenors up to 10 years. Interest rate same for all loan tenors = 4.99%
- Loan size: \$400 to \$20,000
- Term finance only; construction period financing by Vendors
- Loan disbursement to Vendor at project completion with approval of Borrower

OBR Issues for Scale Up

- Extent of OBR credit enhancement & credit OBR structure, variations:
 - Suspension of energy services in event of late & non-payment, according to established utility practices
 - In default events, new customer at same meter must assume remaining obligation...”run with the meter”. Reach tenant market
 - UCC filings & mortgage lender consents
- Eligible measures
 - Bill neutrality test & replacement of energy systems
 - Allow for comprehensive EE (gas, elec, water, thermal)
- Accounting topic: customer treatment of ESAs as a service agreement
- Extent of Utility recourse, if any. Limited recourse can be effective & a good buy for utilities
- Utility billing system modifications & coordination
- EE Feed-in Tariff; combine this with OBR
- Customer decision process: limiting factor

Thank You!

John MacLean

President

Energy Efficiency Finance Corp.

Olympia, WA

jmaclean@eefinance.net

Phone: 1.360.339.3936

