

ON-BILL FINANCE AND REPAYMENT

Some Observations

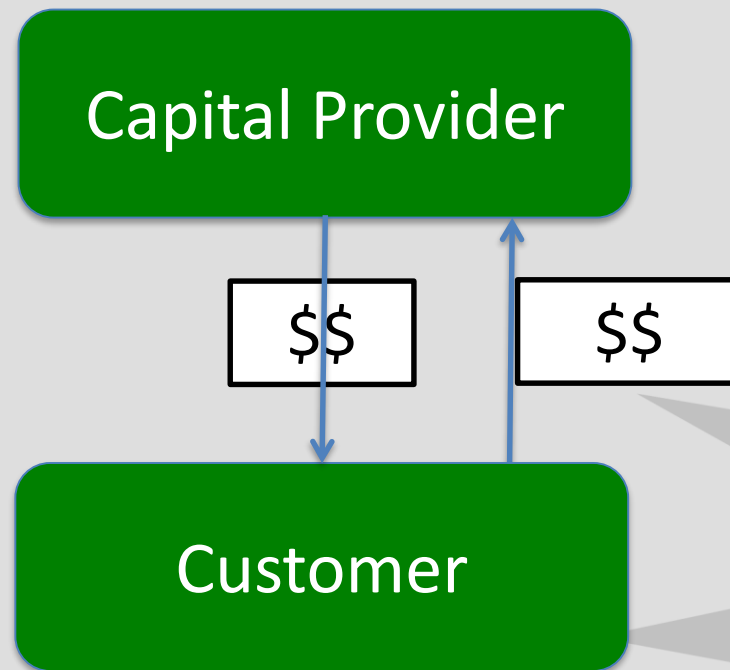


Harcourt Brown & Carey

ENERGY & FINANCE

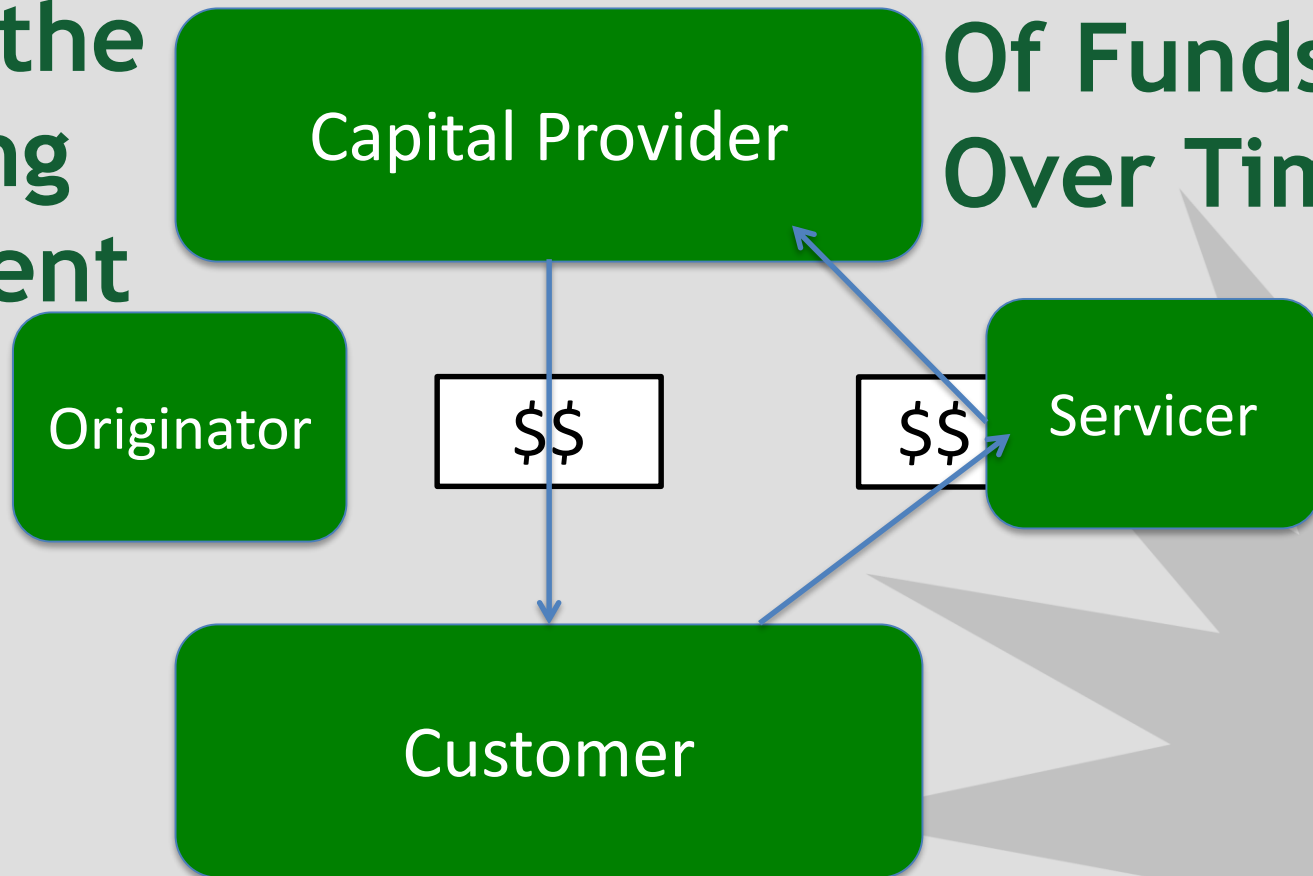
FINANCE: A Means to Get Money from a Capital Provider

To a Customer – and Back from the Customer Over Time

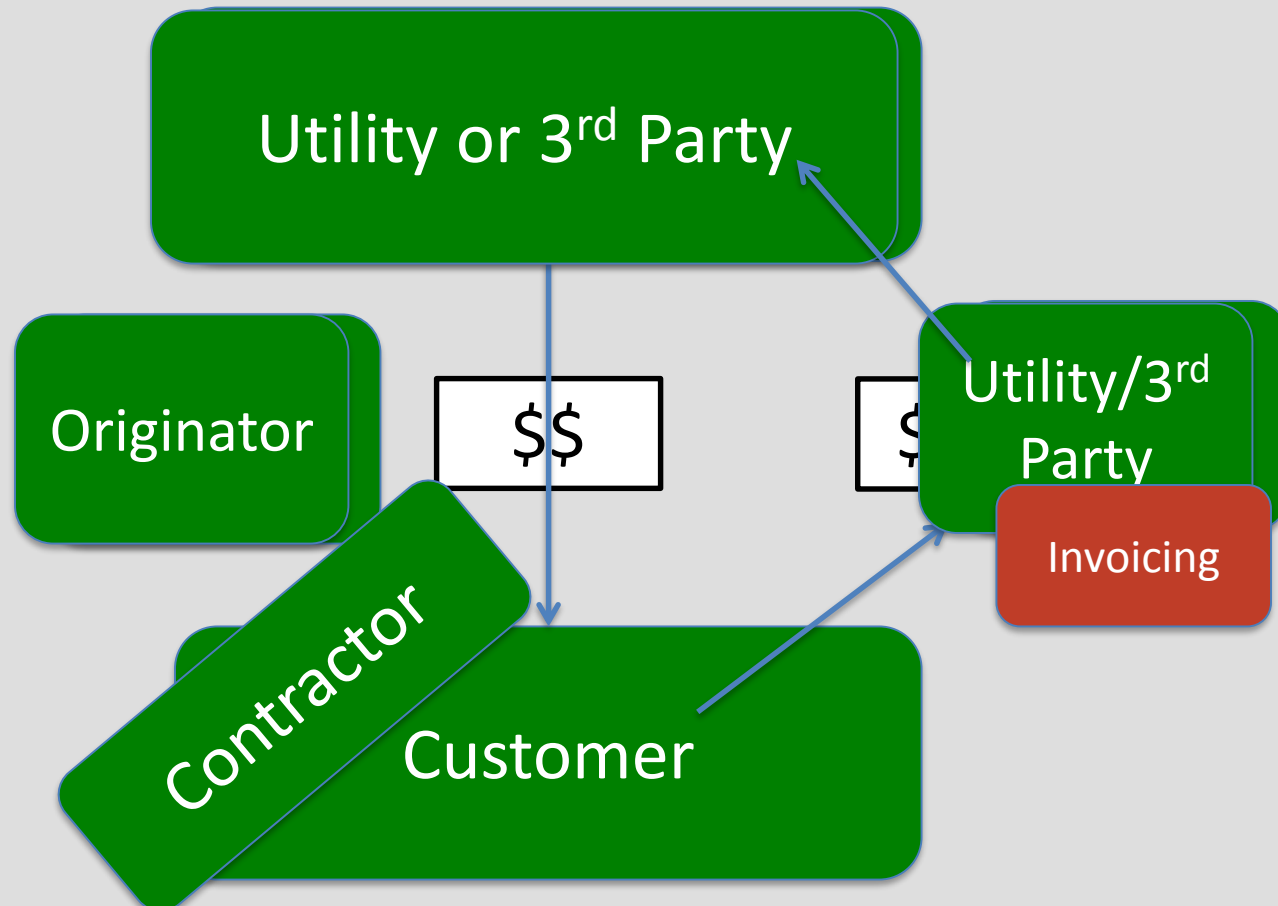


Someone Needs to
Review Credit and
Create the
Financing
Agreement

And Manage
the Flow
Of Funds
Over Time



Utility On-Bill Programs: Roles of the Parties



Utility On-Bill Programs

Sources of Capital:

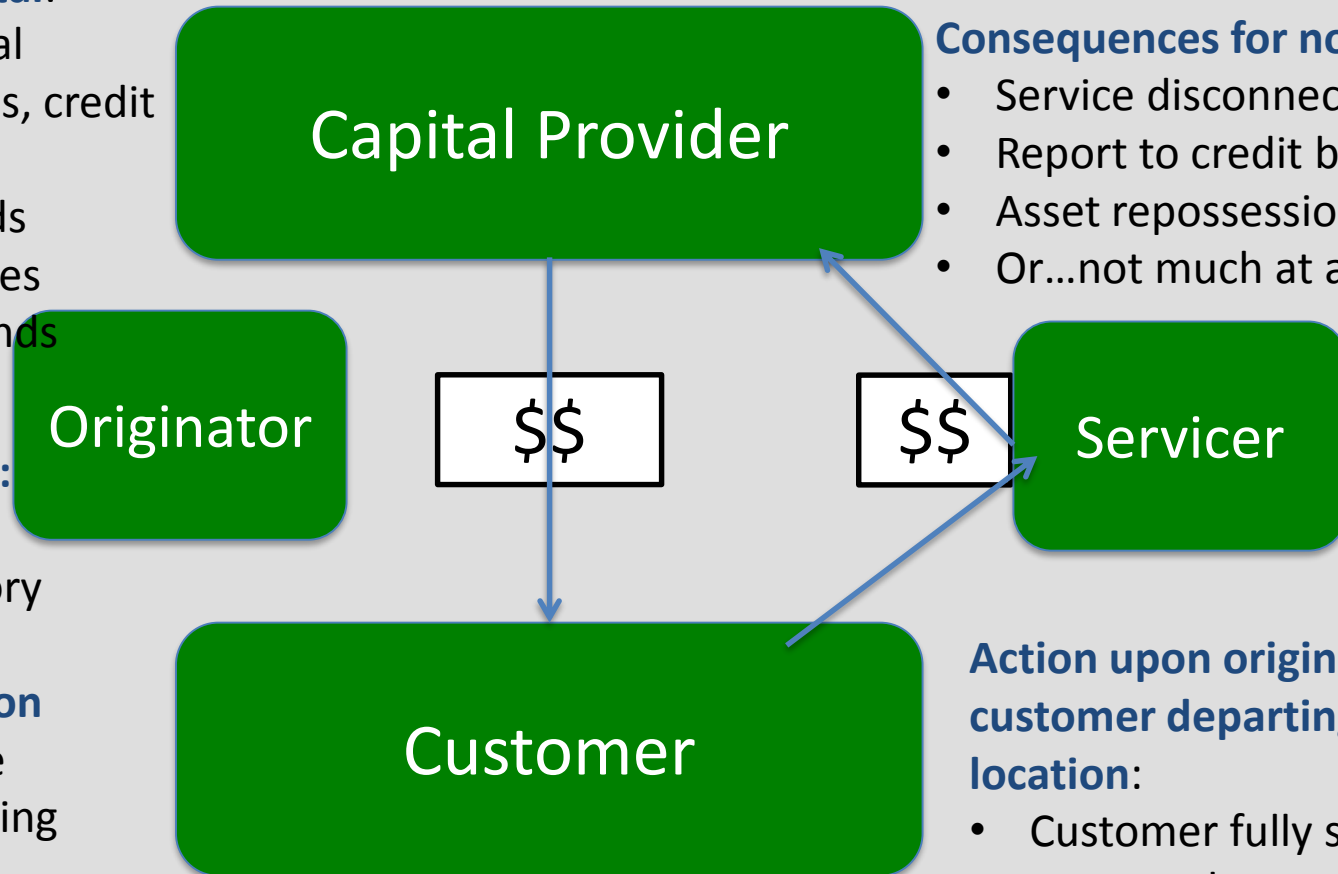
- Private capital (banks, bonds, credit unions)
- Investor funds
- Utility reserves
- Customer funds

Underwriting:

- Utility bill pmnt history
- Traditional

Documentation

- Loan/lease
- Or something else...



Consequences for non-payment

- Service disconnection
- Report to credit bureau
- Asset repossession
- Or...not much at all

Action upon original customer departing service location:

- Customer fully satisfies amount due or carries obligation to term
- Payment obligation transfers to subsequent occupant



Utility On-Bill Programs

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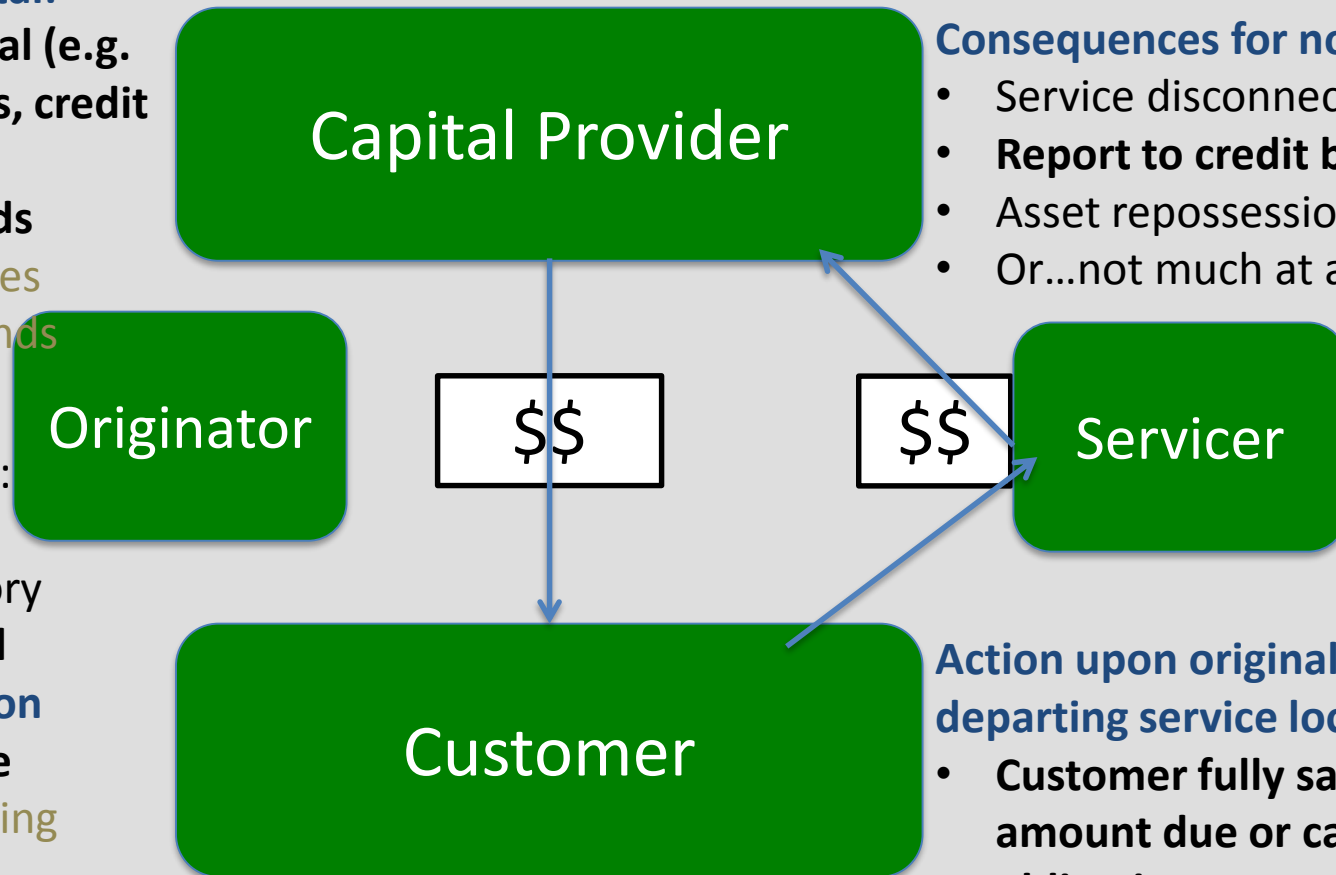
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Key Trade-Off

- Private capital is abundant, leading to highly scalable programs.
- But private capital is rarely able to fund the innovations that some on-bill programs seek (transferrable obligation, alternative underwriting, long terms)
- Keep the source of capital in mind when thinking about different types of programs



Decision Points

- Critical Design Requirements
 - What triggers **disconnection** for failure to pay? Does disconnection follow the same rules as existing disconnection policy for energy bill payment?
 - Assuming 3rd party capital is used, how will customer **partial payments** be addressed? Is the utility always paid first, then the capital provider? Or vice versa?
 - Assuming 3rd party capital is used, **how quickly can funds pass through** the on-bill “machine”...from customer to utility to lender?
 - What do you do in the event of a **disruption in the payment flow** (delayed bill, returned check).
 - **Data collection**: What data will be collected? Who will collect this data? Who will present it to whom (the public, regulators etc.)



Decision Points (con't)

- What forms & releases will be required? Will all forms used for the program be consistent statewide?
 - Authorization to place charge on the bill? Who signs this authorization?
 - Data/Information releases from customer.
- Allocation of Resources
 - On-bill IT development is rarely cheap; take into consideration alternatives to on-bill that may achieve similar goals but without complexity of on-bill.

Decision Points (con't)

- Lending Regulations:
 - Will consumer financing be subject to consumer lending laws (TILA, the Holder Rule etc.) or not. If not, why not?
 - What disclosures are provided to the borrower? How are these documented?
 - If financing is not closed in accordance with all regulations, the original capital provider may be required to hold on to loans to maturity. (Sale of financing may be difficult).