



On-Bill Financing: Assessing its Feasibility for your Utility

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DUNSKY OVERVIEW



EXPERTISE



EFFICIENCY



RENEWABLES



MOBILITY

SERVICES



ASSESS
opportunities



DESIGN
strategies



EVALUATE
performance

Governments ▪ Utilities ▪ **CLIENTELE*** ▪ Private firms ▪ Non-profits



* selection of clients

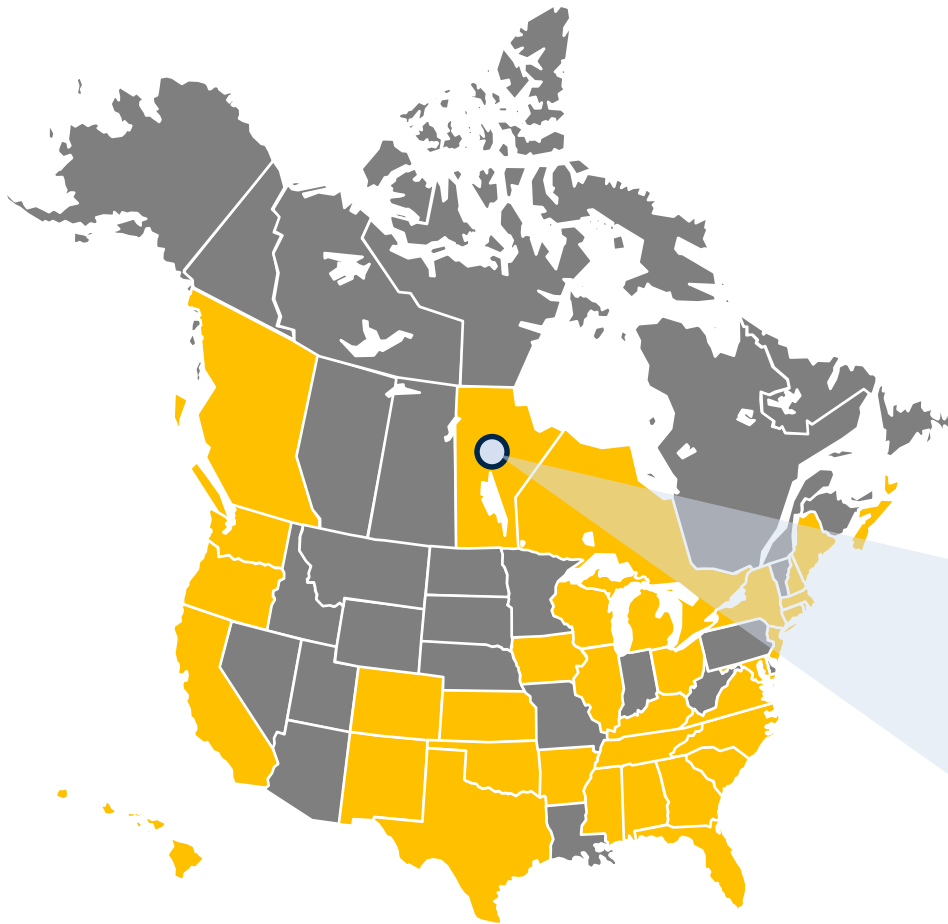
Key Take-Aways

Different ways for a utility to benefit from on-bill financing

Up-front hurdles must be addressed prior to design

Utility may consider leveraging financing to generate revenue

On-Bill Financing Programs



4 / 10 Provinces

32 / 50 States

Canadian On-Bill Success:
Manitoba Hydro

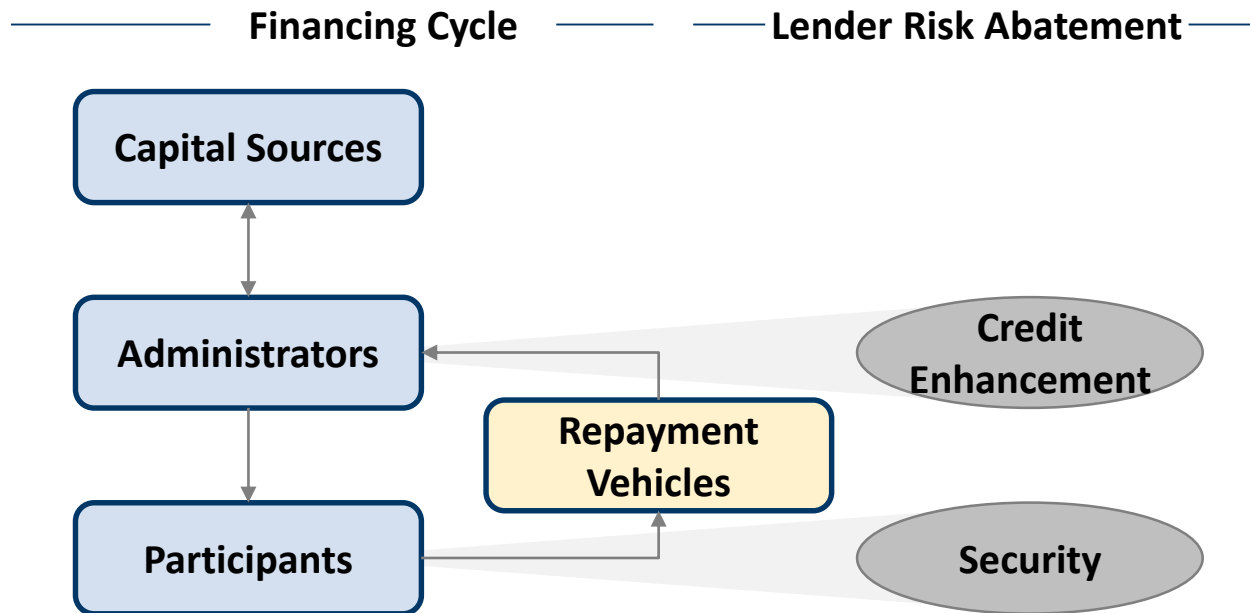
Program launched in 2001
+\$300M in loans disbursed
+75,000 customers participating

*Highlighted regions have an operating on-bill program.



- ✓ Reduce risk of default
- ✓ Reduce up-front costs

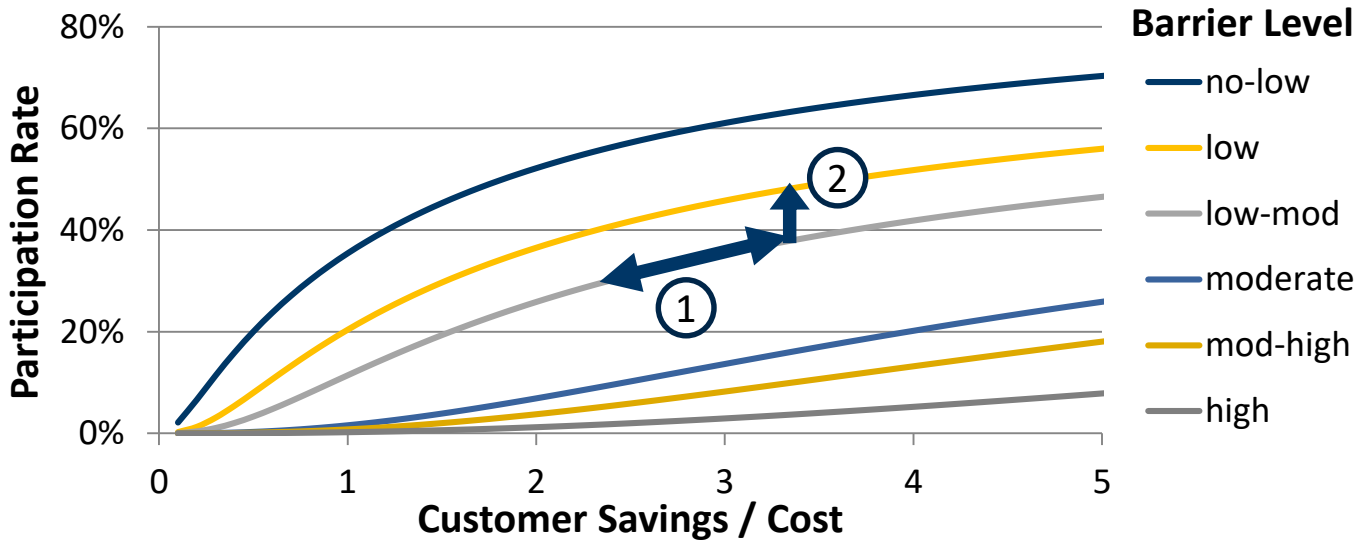
- ✓ Non-debt treatment
- ✓ Transferability



How Financing Can Help



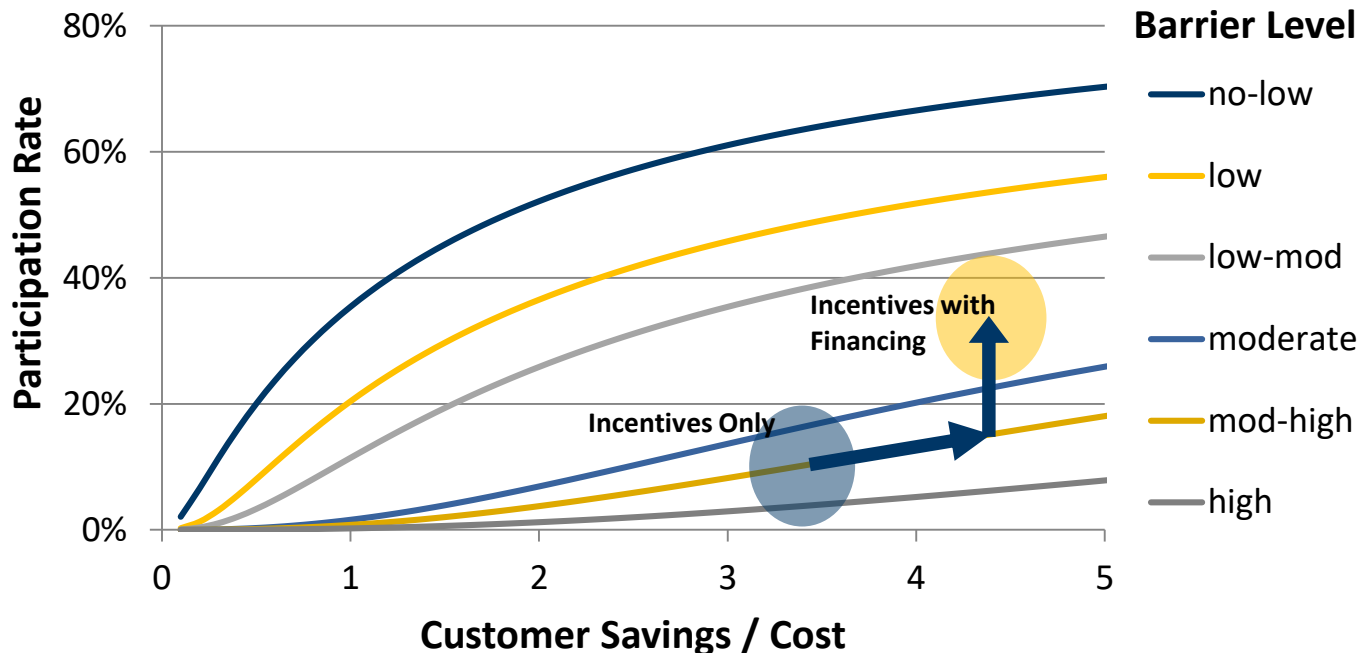
Factors influencing EE participation	How financing can help
1. Customer Financials	Reduce measure cost
2. Customer Barriers	Improve access to capital Reduce payback period Reduce competing capital priorities Improve ease of understanding business case





Case Study #1: Adding financing to a home insulation incentive program

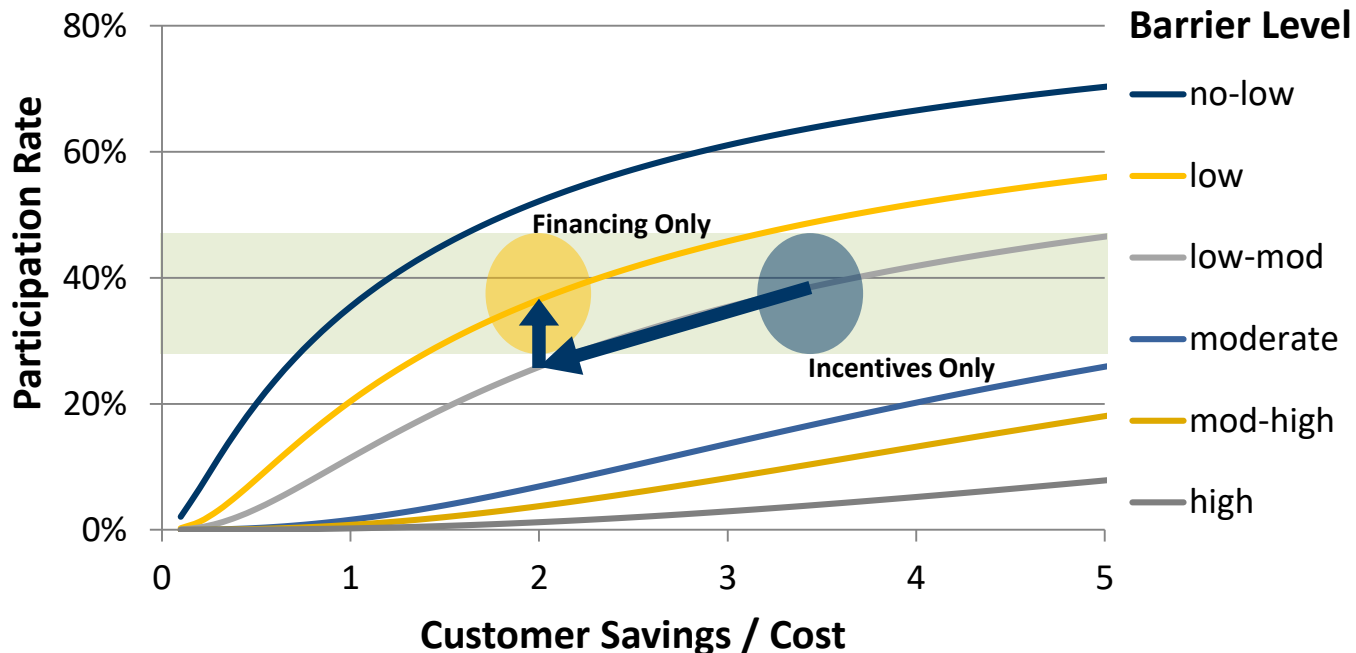
- Home insulation program achieved less than 10% of target savings
- Identified barriers which included *significant up-front investment, long payback period, and limited understanding of business case for EE*





Case Study #2: Replacing a heat pump incentive with financing

- Heat pump incentive program exceed its energy savings target by over 300%
- As a result, costs were greater than initially budgeted





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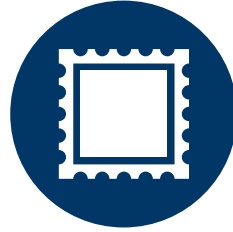
Program	Utility Cost*	Customer Savings / Cost
Incentive (no financing)	\$500	3.8
0% Financing (no incentive)	\$536	2.4
2% Financing (no incentive)	\$325	2.2

*Financing programs assume a 5% 5-year loan with a utility funded interest rate buy-down

Key Considerations



**Regulatory
Requirements**



**System
Upgrades**



**Funding
Sources**



Operate an on-bill program

Some jurisdictions require legislation to be passed to allow the utility to offer on-bill payment.



Act as a lender

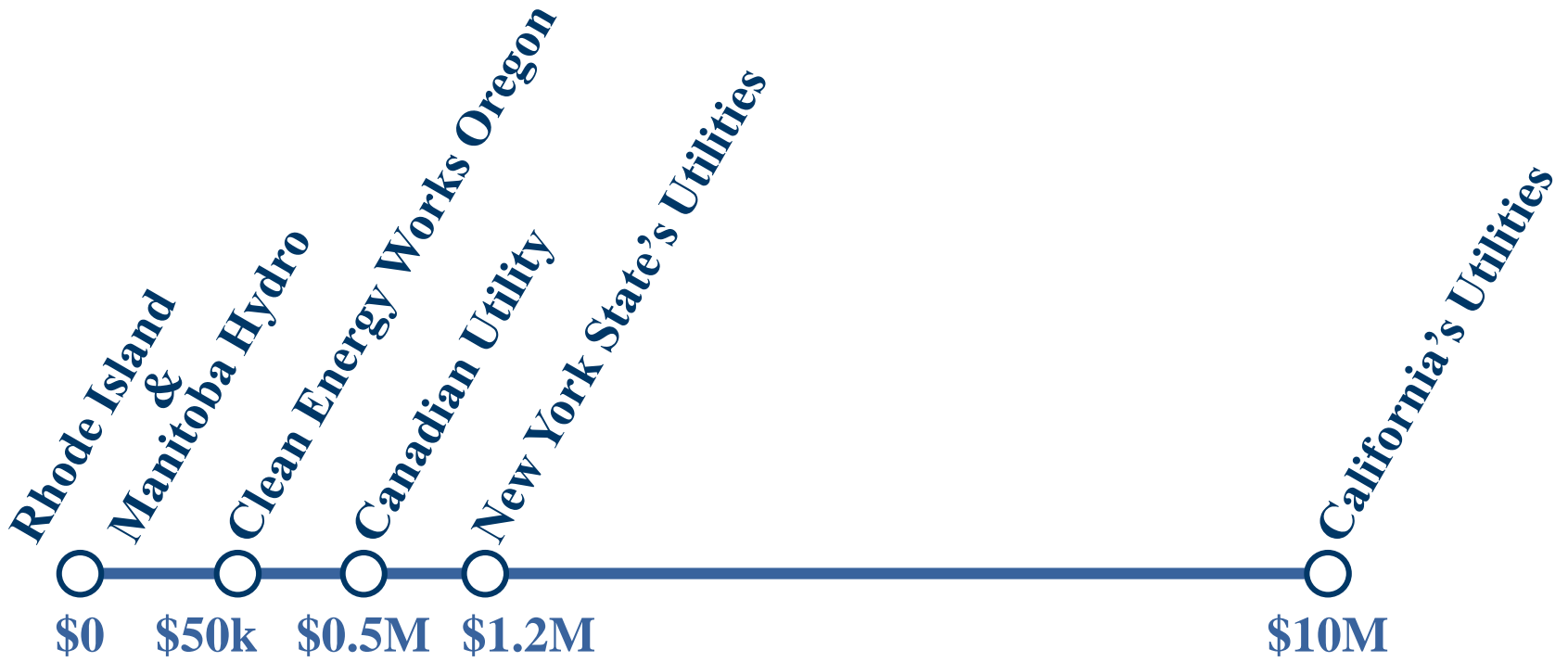
On-bill programs need to comply with consumer lending laws. Requirements may lead to utilities not being able to charge an interest rate.



Disconnect delinquent participants

Regional laws or utility regulations can influence whether disconnection is possible.

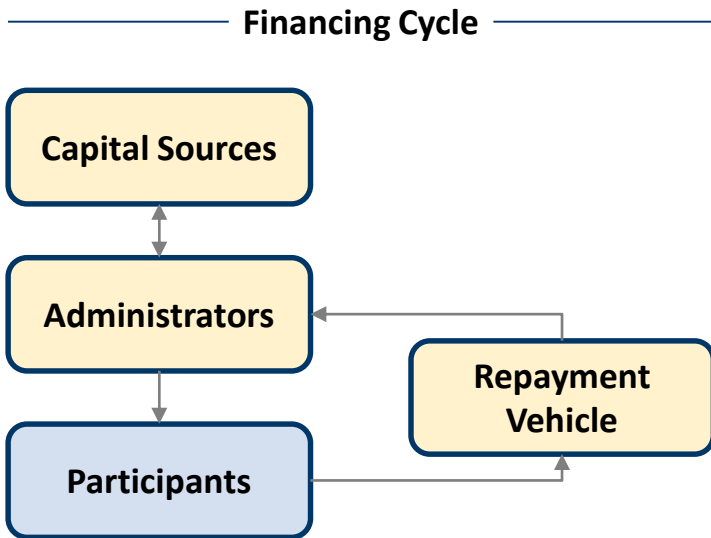
Cost of System Upgrades



Determine if limiting complexity can reduce upgrade cost

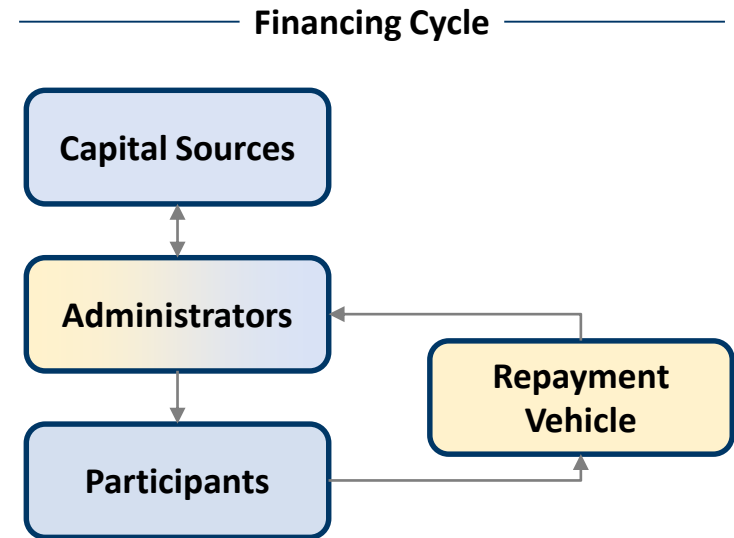


On-Bill Financing



- + Utility maintains control
- + Set low interest rates
- + Define underwriting criteria
- Less funding

On-Bill Repayment



- + More funding = improved access
- ROI requirements = higher rates
- More restrictive underwriting

Utility

Other

Offering Products & Services



Identified a range of products and services currently being offered by utilities.

Products & Services	Duke Energy	FirstEnergy	Green Mountain Power	Nova Scotia Power	Pacific Gas & Electric
Efficient Lighting	✓	✓		✓	✓
Efficient Water Heating	✓		✓		✓
Smart Home Systems		✓	✓		✓
Home EV Chargers		✓	✓		✓
Energy Audits	✓				✓
Landscaping / Tree Services		✓		✓	
Ductless Heat Pumps			✓	✓	
Battery Energy Storage			✓		✓
Electrical Services		✓			
Home Repair Services		✓			
HVAC Efficiency Upgrades	✓				
Efficient Pool Pumps	✓				
Solar Energy					✓

Financing Products & Services



Determine if a financing program can remove key barriers for uptake.

Additional revenues may be achieved by offering products/services but **should not be pursued through the financing terms themselves** (e.g. by using higher rates).

	FirstEnergy	Green Mountain Power
Program	SmartMart by FirstEnergy	Tesla Powerwall 2.0 Program
Program Type	Online Marketplace	DSM Program
Products & Services Offered	High efficiency lighting, leases on EV chargers and smart home systems, other services	Home energy storage
Products & Services Sold By	Products by utility, services by contractors	Utility
Financing Available	Yes – OBF (for select services)	Yes – OBF Rate: 2.12% Term: 10 Years

Key Take-Aways



- Different ways to benefit from financing:
 - ▶ Increase your program's participation
 - ▶ Decrease your program's cost while maintaining participation

- Up-front hurdles must be addressed before beginning to design:
 - ▶ Program design will need to align with regulatory requirements
 - ▶ System upgrades can influence program design elements
 - ▶ Funding sources will have an impact on program design

- Utility may consider leveraging financing to generate revenue:
 - ▶ Opportunity to explore leveraging on-bill program to generate revenue from an increase in product or service sales



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