



ACEEE, May 24, 2016
Energy Efficiency Financing: Residential “On-Bill”

Frank Spasaro

California Electric and Gas Utility Service Territories



“On-the-Bill” Financing

- » What does it mean to be “on the bill?”
 - (besides the obvious part)
 - **OB Financing vs. OB Repayment**
DEFINITIONS
- » Considerations / Impacts:
 - Partial Payment
 - Shut-off
 - Transferability

OBF Program Design: 2013-2016

- » Utility is the Lender
- » *Businesses only*
- » Simple underwriting (billing history)
- » Energy savings covers the loan installment
- » **Zero-percent interest, unsecured, non-transferable**
- » Minimum loan \$5,000 (5 / 10 years max loan term)
 - Maximum \$100,000 / \$250,000 / \$1,000,000
- » Monthly loan payment is included on the utility bill
- » Loan Default = Meter shut-off

OBF Program Data

California Statewide On Bill Financing Activities by Market Segments

As of December 31, 2014

	PG&E		SoCal Edison		SDG&E		SoCal Gas		Total	
	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued	# of Loans	Loan Amt Issued
Agricultural	22	\$1,567,769	5	\$73,683	10	\$496,762	13	\$579,069	50	\$2,717,283
Commercial	778	\$25,042,003	1,168	\$22,042,084	1,128	\$26,950,095	11	\$183,096	3,085	\$74,217,277
Industrial	18	\$577,390	54	\$1,903,509	77	\$2,973,148	11	\$582,200	160	\$6,036,247
Institutional	152	\$14,091,433	181	\$12,224,863	201	\$15,085,037	12	\$1,335,701	546	\$42,737,034
Multi-Family	1	\$48,053	0	\$0	2	\$26,775	3	\$49,765	6	\$124,593
Total	971	\$41,326,648	1,408	\$36,244,139	1,418	\$45,531,817	50	\$2,729,831	3,847	\$125,832,435

Energy Efficiency Financing Products: Market Characteristics and Potential

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EE Finance Programs in CA

» Existing Programs:

- On-Bill Financing (OBF), since 2006
- American Recovery and Reinvestment Act (ARRA)
- California Energy Commission (CEC)
- Regional Energy Networks (RENs)
- Property Assessed Clean Energy (PACE)
- Other (e.g. PowerSaver)

» New Pilots

“On-the-Bill” Considerations

- » IT/Billing systems design
- » Brand / Call Center / etc.
- » Partial Payment
- » Shut-off
- » Transferability

Partial Payment

- » What happens when a customer pays only a part of the bill?
- » Allocation algorithms:
 - Para-Passu
 - “waterfall”
 - Last in the queue
 - Who is liable?
- » Shut-off implications:
 - “Critical” customers
 - Other

Meter Shut-off

- » Utility charges vs. Third-party charges treatment
- » Residential vs. Non-Residential
- » Legislation
- » Policies
- » “Critical” customers

Transferability of Loan

- » The panacea element
- » Credit considerations
- » Default considerations
- » Lending Law considerations
- » Implementation:
 - Tariff
 - Contracts
 - PACE

Lending / Servicing / Billing LAWS

- Equal Credit Opportunity Act (15 U.S.C. §691 *et seq.*) and Regulations B (12 CFR part 202)
- Fair Credit Reporting Act (15 U.S.C §1681 *et. seq.*)
- California Finance Lenders Law (“CFL”) (Cal. Fin. Code §22000)
- Truth-in-Lending Act (15 U.S.C §1601 *et seq.*) and Regulation Z (12 C.F.R. Part 226)
- Consumer Leasing Act (15 U.S.C. §1667 *et seq.*) and Regulation M (12 C.F.R. Part 213)
- Electronic Fund Transfer Act (“EFTA”) (15 U.S.C. §1693 *et seq.*) and Regulation E (12 C.F.R. Part 205)
- FTC Holder in Due Course Rule (16 C.F.R. Part 433)
- Fair Debt Collection Practices Act (“FDCPA”) (15 U.S.C. §1692 *et seq.*) and Rosenthal Fair Debt Collection Practices Act (Cal. Civ. Code §1788 *et seq.*)
- Title V of the Gramm Leach Bliley Act (“GLB”) (15 U.S.C. §6801-6809) and the FTC Financial Privacy Rule and Safeguards Rule (16 C.F.R. Parts 313 and Part 314)
- California Financial Information Privacy Act (Cal. Fin. Code §4050-4060) and California Data Security Laws
- California Home Improvement Contract law (Cal. Bus. & Prof. Code §7157-7167.5)
- California Home Solicitation Sales Laws (Cal. Bus. & Prof. Code §17500.3; Cal. Civil Code Prof. Code §71571689.5-1689.15)
- California Telephone Sales Law (Cal. Bus. & Prof. Code Prof. Code §17511.5)
- California Unfair Trade Practices Law (Cal. Civil Code Prof. Code §1761-1770)
- California law requiring prompt response to consumer inquiry on retail installment account Code §1720)
- California Holden Credit Denial Disclosure Act of 1976 (Cal. Civil Code §1787.1-1787.4)
- California Covered Loan Law (Cal. Fin. Code §4970-4979.8)
- California Usury Laws (Cal. Const. Art. XV, §1)
- California Consumer Contract Awareness Act of 1990 (Cal. Civ. Code §1799.200 *et seq.*)
- California Civil Code contract requirements (Cal. Civ. Code §1632, 1799.90)

New EE Finance Pilots, Background

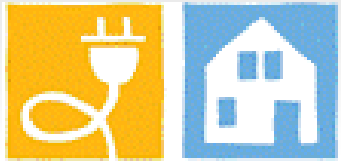
- » CPUC issued May 2012 “Guidance Decision”:
 - Finance a “resource” program
 - OBF (to go away, or be limited)
 - Established Finance Pilots:
 - “on-bill *repayment*” programs
 - Allows for Credit Enhancements
 - Funded at \$75 million for two years
 - Funded continuation of certain ARRA finance programs
- » CPUC Finance Decision (Sept 2013)
- » Plus several other Rulings and Resolutions

CA's On-Bill Conversation

- » Residential vs. Non-Res Issues
- » Lending/Billing Laws, Consideration of
- » Regulation (res shut-off not)
- » Residential “conclusions:”
 - No Shut-Off
 - No partial Payment Allocation
 - Transferability = Consent by both Parties

Overview of Pilot Programs

Sector	Pilot Type	Credit Enhancements	On-Bill Repayment	Disconnection
Residential	Single Family	\$21 million	Optional in PG&E territory	No
	Master Metered Multifamily	\$2 million	Yes	No
Non-Residential	Small Business Loan/Lease	\$10 million	Loans – Yes Leases – Optional	Loans -- Yes OBR Leases -- Yes Off-Bill Leases -- No
	Non-Residential On-Bill Repayment	None	Yes	Yes



CALIFORNIA HUB FOR
ENERGY EFFICIENCY
FINANCING

What is The CHEEF?

CHEEF is a public-private partnership of lenders, contractors, utilities and state agencies designed to encourage an **uptake of energy efficiency projects** through **increased access to financing.**



A Sempra Energy utility



A Sempra Energy utility



Residential “off/ on-bill” Programs

- » Program #1, Residential Energy Efficiency Lending (“REEL”)
- » Program #2, Master-Meter Multi-Family (“MMMMF”), for “affordable” housing

REEL / EFLIC

- » REEL is statewide, and *Off* -bill
- » Energy Finance Line Item Charge (“EFLIC”):
 - Tied to REEL
 - PG&E only; not yet launched
 - *billing only*

REEL Goal:

Create more EE projects, resulting in deeper savings, benefitting more customers.

How we get there:

1

REEL Program provides lenders with some protection against loan losses

2

Lenders are able to offer better financing terms

3

Contractors present financing as an option to their customers

4

Customers take on bigger energy efficiency projects



A loan enrolled in the REEL program must meet eligibility requirements for:



Borrower



Property



EEEMs



Project



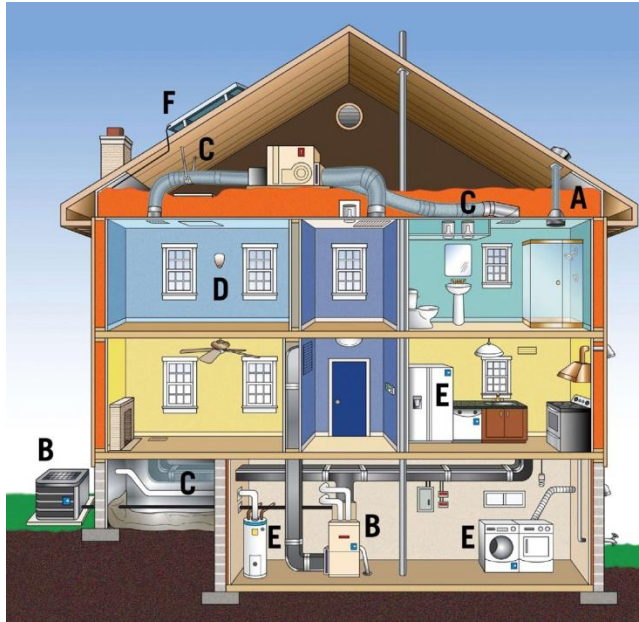
QA/QC

REEL Eligibility Check



- 1-4 unit residential property
- Receives gas and/or electric service from one of the 4 investor-owned utility companies
- Property Owner or Tenant with Owner's written permission
- Minimum FICO score of 580
- Borrowers with No FICO score are eligible if they have no derogatory credit reports
- Debt to Income Ratio of less than 55%

Project Eligibility Check



- ❑ Maximum loan amount eligible for the credit enhancement: \$50,000 per unit (\$35,000 if borrower has no FICO score)
- ❑ **At least 70% of loan proceeds** must fund EEEMs and other necessary alterations
 - Example: HVAC + permit costs + wall repair around the HVAC
- ❑ Up to **30% of loan proceeds** may be used for other home improvements
 - Cabinets, fixtures, flooring, etc.
- ❑ Distributed Generation (DG) **can** be part of the project. However, the lender **does not** receive protection (Loan Loss Reserve funds) for the DG part of the loan.

EEEM = Eligible Energy Efficiency Measure



California Alternative Energy and Transportation Financing Authority (CAEATFA) website

FAQs EEEMs Portal Frequently Asked Questions

Receive Financing Pilot Program Updates

Note: A customer is not required to use an IOU rebate or incentive program to finance eligible measures through these financing pilots.

Select Your Electric Utility: San Diego Gas & Electric

Select Your Gas Utility: San Diego Gas & Electric

Indicate Your Customer Type: Residential

Search by Measure Type:

- Emerging Technology
- Food Service
- Gas
- HVAC
- Industrial
- Insulation
- Lighting

Search by Keywords: SEARCH

Submit

37 RESULTS FOUND VIEW 25 | 50 | 100 Download Search Results

Note: It is not necessary to apply for a rebate to qualify for financing these measures. If a measure does not include an EUL value, you may look up the value in the [DEFER EUL table](#), or you may [contact your IOU](#).

EEEMs ID	IOU	MEASURE NAME	MEASURE SPECIFICATION	REBATE LINK	EFFECTIVE USEFUL LIFE
SDGE-01138	San Diego Gas & Electric	Duct Test and Seal	421023 - Duct Test and Seal		18
SDGE-01140	San Diego Gas & Electric	AC Diagnostic, Repair and Tune-up	421025 - AC Diagnostic, Repair and Tune-up		10
SDGE-01194	San Diego Gas & Electric	Duct Sealing With AC	434014 - Duct Sealing with AC, flow to 12%		18
SDGE-01198	San Diego Gas & Electric	Air Sealing with AC	434018 - Air Sealing with AC		11
SDGE-01238	San Diego Gas & Electric	AC - Room unit	Available for self install. 461799 - AC - Room unit - Enerov Star	CustomerRebateAvailable: http://www.sdoe.com/buyers-	9

Access the EEEMs portal: <http://eeems.azurewebsites.net/>

- Search by IOU and by measure type; Option to download the lists into a spreadsheet, save and/or print

REEL: From Start to Finish....



Meet with the customer and provide a Bill Impact Estimate



Assist the customer in securing financing



Obtain required permits and begin the project



Complete the project and any required post project testing such as CAS/CAZ testing



Provide borrower with the required documents for the loan enrollment package



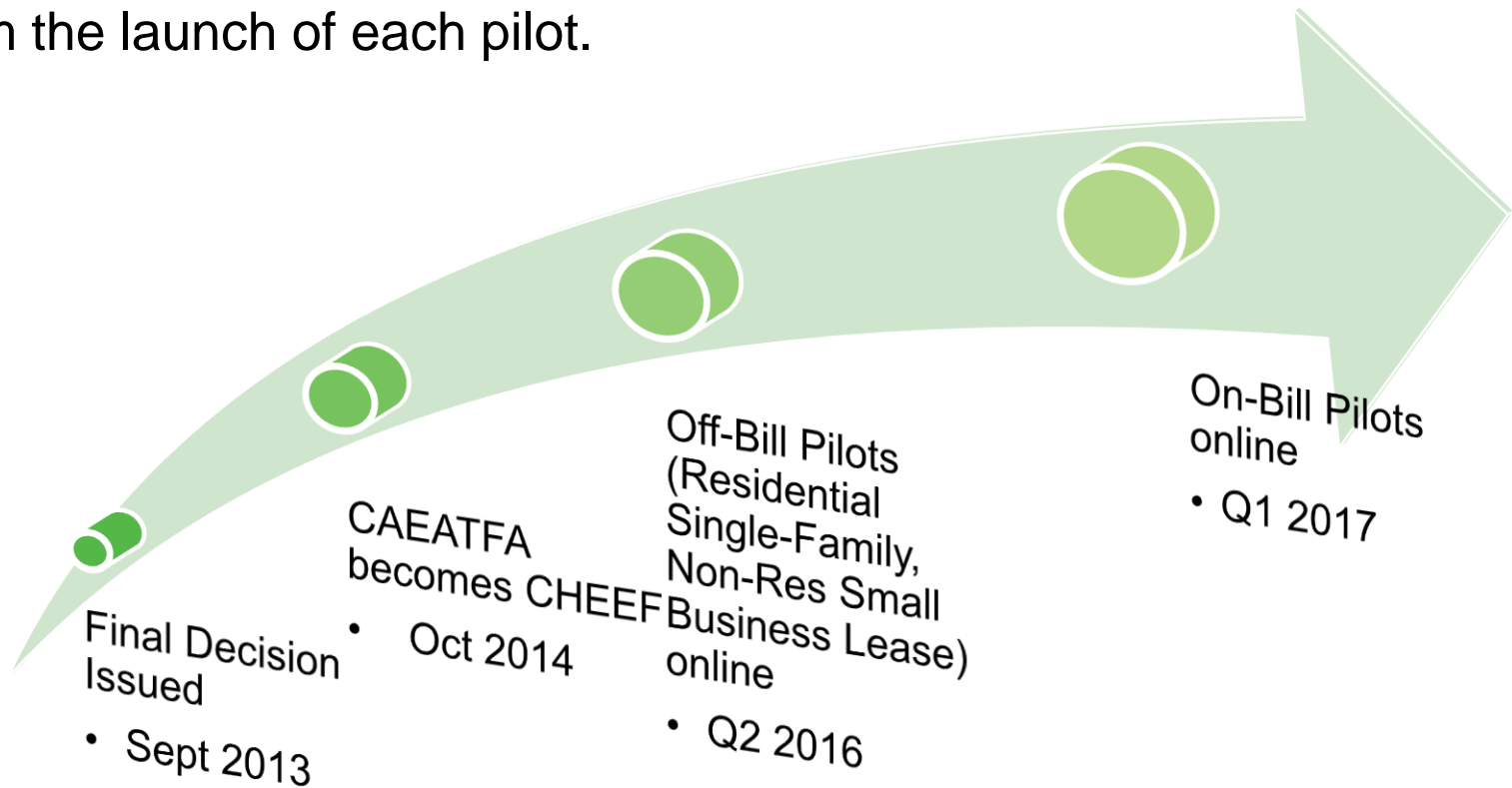
Along with borrower, submit documents to lender

EFLIC = Energy Finance Line Item Charge

- » Based on a “line-item billing” capability
- » Linked to REEL
- » PG&E-only pilot
- » Billing / Collections only
- » Rules:
 - Partial Payment: no => 2 missed months sent back to FI
 - No shut-off
 - ?Transfer

Timeline: Financing Pilots

In June 2014, the CPUC authorized the pilots to run for two-years from the launch of each pilot.





THANK YOU!

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