

*Catalyzing Investment in Rural
America: Generating jobs and cash
flow with all inclusive financing for
efficiency upgrades*



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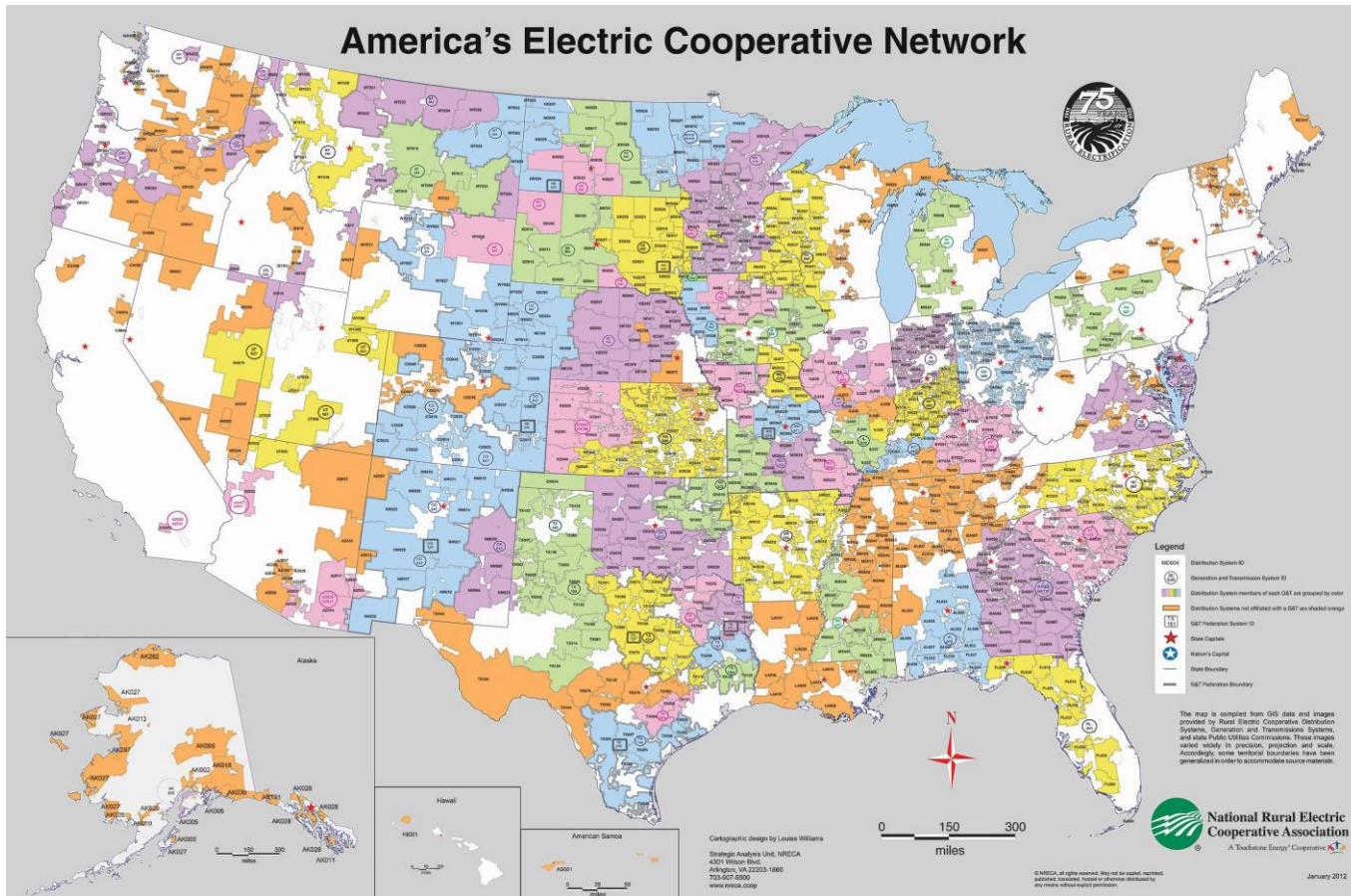
ACEEE Energy Efficiency Finance Forum

*Overcoming Barriers to Energy Efficiency Finance in Rural
America*

May 22, 2017

“93% of Persistent Poverty Counties in the U.S. overlap with Rural Electric Cooperative service territories.”

– National Rural Electric Cooperative





- ▶ 2009-2014: EEtility co-founders operated the Home Energy Affordability Loan Program (“HEAL”) incubated by the Clinton Foundation.
- ▶ 2014: We founded EEtility - Arkansas’ first “B” Corporation. (“B” Corps include societal and environmental “Benefit” in decision making.)
- ▶ 2015: EEtility developed the Home Energy Lending Program “H.E.L.P.” an OBF program (still) offered by 4 AR electric cooperative utilities.
- ▶ 2016: We began operating HELP PAYS® for the first cooperative in Arkansas to offer HELP using a tariff charge instead of a loan
- ▶ 2017: EEtility is Operating North Carolina’s Upgrade To Save program and a second AR Coop that is choosing

Rural Arkansas Case Study: Ouachita Electric Cooperative

- Located in Southwest Arkansas Delta Region
- Household median income of ~\$29K (National average is ~\$52k and state average is ~\$42k.)
- 8500 meters, 6500 Residential
- Housing stock between 30 and 75 years old
- **ALL THE ABOVE = PERFECT INCUBATOR FOR EE PROGRAM FINANCING!**

H.E.L.P. = On Bill LOAN Program

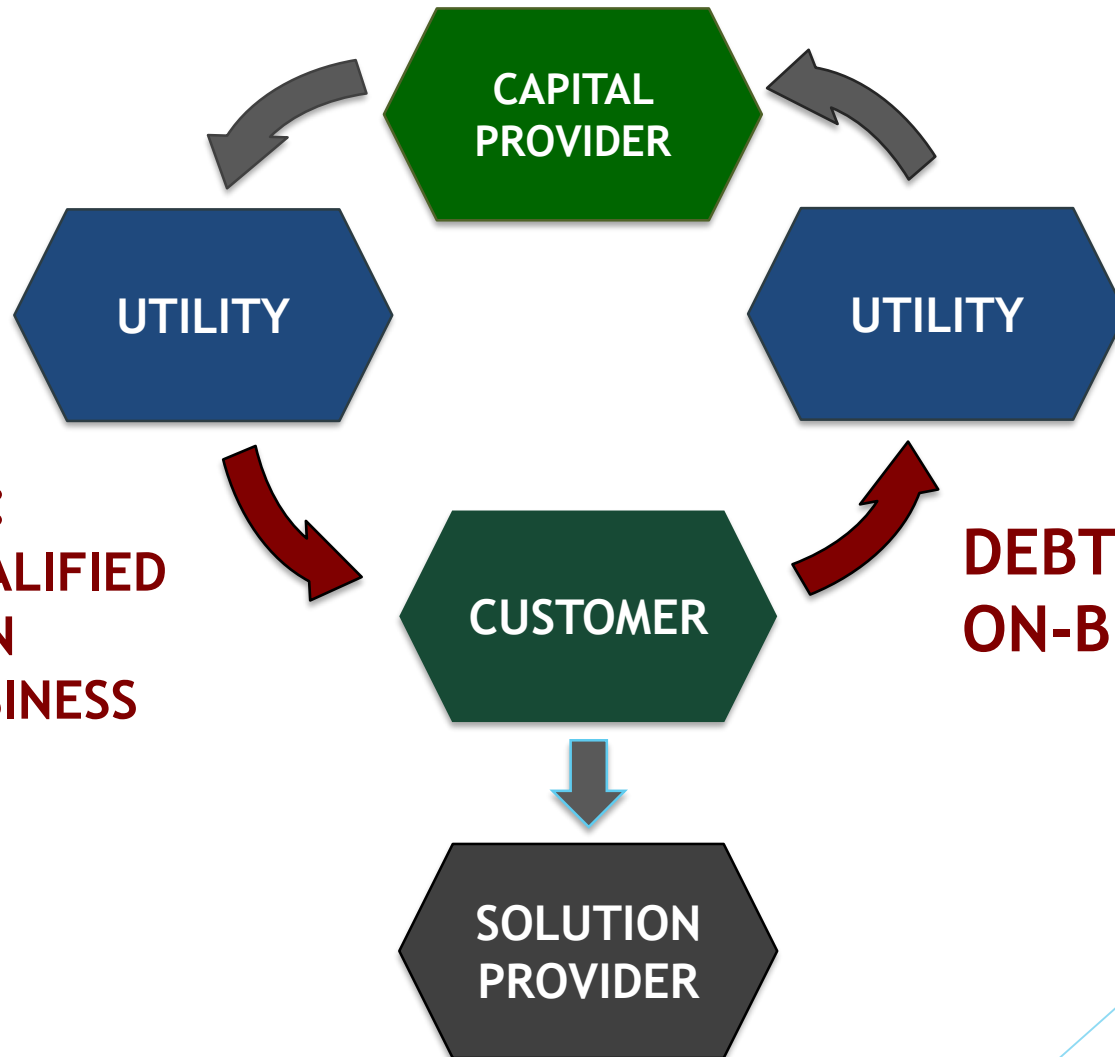
What worked:

- ▶ Arkansas Energy Office set up a Loan Loss Reserve
- ▶ Co-op utilities said “YES”
- ▶ Homeowners with good payment history could get basic weatherization upgrades with cash flow neutral payback terms
- ▶ Conversion rates were 70-80% where we found bill neutral opportunities
- ▶ Loans averaged \$3,100

What didn't:

- ▶ Single Family renters were left out
- ▶ Multi Family renters were left out
- ▶ Mobile homes were left out
- ▶ HVAC financing was not an option (Even with the LLR, risk perceived to be too high.)
- ▶ Peak Demand savings for the Coop (when HVAC included) were left on the table. (For Ouachita Electric, that generates \$300 per year per participant in avoided costs.)

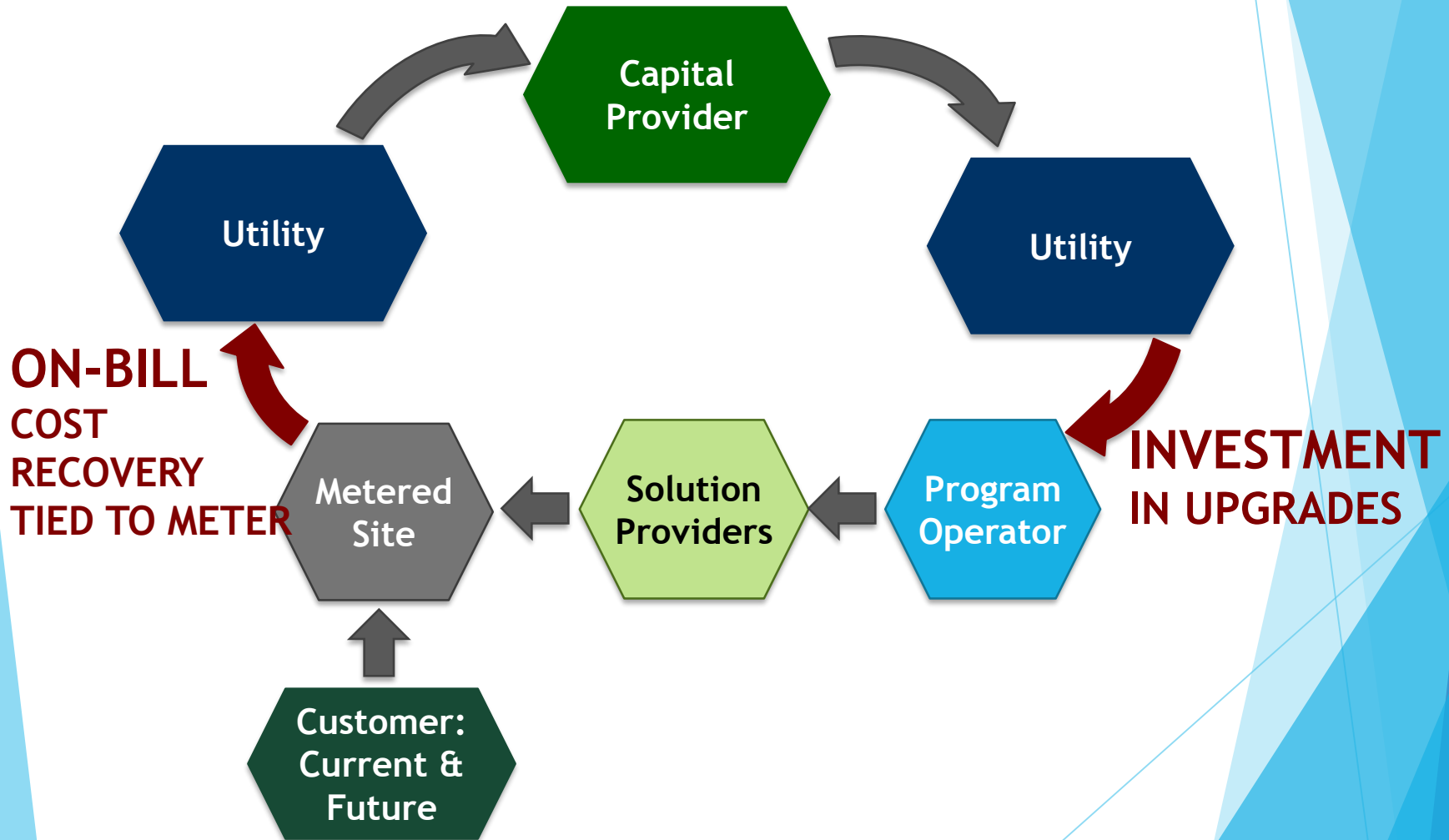
RE-LENDING: LOAN & DEBT COLLECTIONS



**LOAN:
TO QUALIFIED
PERSON
OR BUSINESS**

**DEBT COLLECTION
ON-BILL**

Tariffed on-bill programs for efficiency upgrades *based on the PAYS® system*



OBF compared to Tariffed On-Bill

Attributes	Home Energy Lending Program (HELP)	HELP PAYS®
• Residential participants are eligible	✓	✓
• Renters are eligible		✓
• No credit score check - no debt to income ratios	✓	✓
• No upfront participant cost	✓	✓
• Estimated savings <u>must exceed</u> cost recovery charges by 20%		✓
• Participant signs a loan or promissory note for a debt obligation	✓	
• Participant accepts an opt-in utility tariff (NOT a debt) tied to meter		✓
• Cost recovery is through a fixed charge on the utility bill	✓	✓
• 100% on-site QC for payment authorization	✓	✓
• Participant accepts tariff with disconnection for non-payment		✓
• Payments end if upgrade fails and is not repaired		✓
• Tariff runs with the meter and remains in effect for subsequent customer at that location until cost recovery is complete		✓



Here's what happened by the end of 2016

Comparing the same 9 months for HELP PAYS (2016) to HELP (2015):

- ✓ Participation doubled: 30% were renters in multi-family housing
- ✓ Conversion rate: 90% of the customers who received an offer for investment accepted it, and that figure was 100% in multi-family housing
- ✓ Investment tripled: More than \$ 1.5 million in approved efficiency upgrades, one third of which was in the commercial sector (college and municipality)
- ✓ Bigger projects, deeper savings: average residential upgrades jumped from \$ 2,280 to more than \$ 5,600 once HVAC became eligible
- ✓ ~~Utility Peak Demand Savings is averaging nearly 2 kW per household~~
All this Peak Demand Savings is averaging nearly 2 kW per household

* Demand savings verified by meter data for participants receiving HVAC upgrades prior to 2016 summer peak; 17 single-family homes)



Key lessons learned:

- ✓ Rural electric cooperatives are leading the field in the introduction of inclusive financing:
 - ✓ Midwest Energy Kansas
 - ✓ 6 electric cooperatives in eastern Kentucky
 - ✓ Roanoke Electric in North Carolina
 - ✓ Ouachita Electric in Arkansas
 - ✓ 3 more on the way...
- ✓ If starting from scratch, DON'T start with the loan and move to the tariff; start with the tariff and stay with the tariff.
- ✓ If you have an on bill loan program, consider the benefits of switching to a tariffed on bill model (PAYS® for example)
- ✓ Supporting the local workforce on Quality Assurance is critical because the savings have to be there!!
 - ✓ We find that engaging a handful of contractors that focus on performance is better than working with many contractors each with a handful of jobs.
 - ✓ Provide Contractor Support while on site (we do this virtually). Help them pass QC inspections the first time
- ✓ Cost effective tariffed on-bill is sustainable, scalable and all-inclusive and works extremely well in Rural areas (and urban areas too!)



THANK YOU!

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