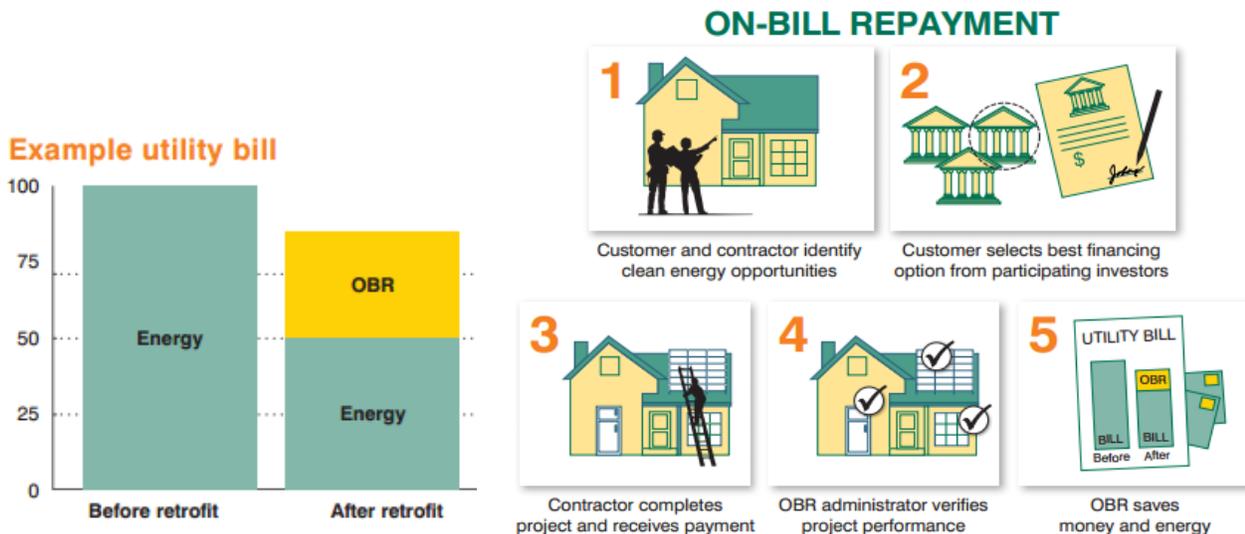


On-Bill Repayment and On-Bill Financing

Description:

Overcoming the upfront cost barrier is arguably the biggest challenge to clean energy deployment at the consumer level. Financing is key. On-Bill Repayment (OBR) and On-Bill Financing (OBF) are mechanisms for financing residential and small commercial clean energy technologies in buildings. Financing can come from the utility (OBF), or through a private entity to be repaid through the utility bill (OBR). In either case, the customer's costs of retrofits or equipment are amortized and combined with savings from the measures on the utility bill (see diagrams below).



Source: EDF

Discussion of the Policy:

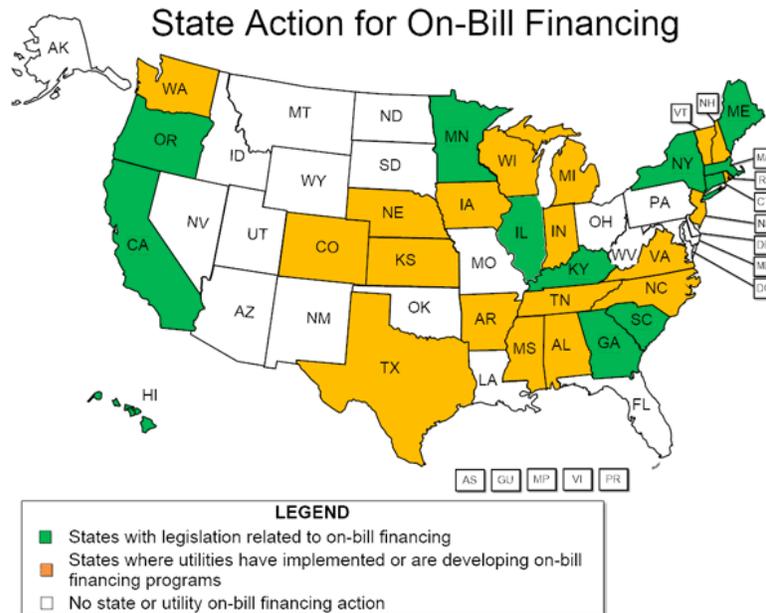
The source of financing is the main design component separating OBR from OBF. Utility financing is typically not as economically competitive as third party financing since a regulated utility's cost of capital is in the 7-8% range. Banks are often able to offer more competitive rates and interest in new lending markets. Furthermore, utilities often see customer financing as outside of their area of expertise and prefer that financing be done through an authorized lending agency.

Programs vary from state to state by source of funding, marketing, target markets, qualifying terms, and policy origination (legislature or utility proposal to a public utilities commission).

To reduce repayment risk for the lender, some programs allow for 'disconnect of utility service' in the event of default. In other states, this has raised consumer protection concerns. In general, a history of utility bill payment does allow lenders to offer loans to consumers with lower credit scores.

Example State Programs:

To date, 12 states have implemented OBR/OBF legislatively and 19 states have done so via utility programs approved by state Public Utilities Commissions.



Source: [NCSL](#)

- Enhabit Oregon:
<https://enhabit.org/#A>
- Energize Connecticut:
<http://www.energizect.com/your-business/solutions-list/Small-Business-Energy-Advantage>
- New York On-Bill Recovery Loan Program:
<https://www.nyserda.ny.gov/All-Programs/Programs/On-Bill-Recovery-Financing-Program>
- South Carolina Rural Energy Savings Program:
<http://www.eesi.org/projects/rural-energy-savings-program>

Key Components:

- Some programs require “bill neutrality”, meaning an equal or lower monthly bill post retrofit.
- OBF requires public utilities commission approval and, typically, a dedicated tariff.
- A dedicated source of loan funding such as a loan loss reserve, private funding (either open source access by multiple lenders or closed source to a single lender), utility ratepayer funds, or another funding source.

- Legislation may include a credit enhancement fund that encourages lending to customers that would otherwise not qualify for a loan due to a low credit score. Reducing the risk to lenders making these loans can keep interest rates lower.
- Legislation may tie loans together with weatherization upgrades for low-income customers. The federal WAP program covers the cost of some weatherization improvements, but not all - and doesn't include things like solar systems that could be tied together with weatherization upgrades (see [Third-Party Financing](#) and [Low Income Energy Efficiency](#))

More Information:

- American Council for an Energy-Efficient Economy, On-Bill Financing for Energy Efficiency Improvements:
<http://www.aceee.org/sector/state-policy/toolkit/on-bill-financing>
- Environmental Defense Fund On-Bill Repayment Programs:
<http://www.edf.org/energy/obr>
- National Conference of State Legislatures, On-Bill Financing: Cost-Free Energy Efficiency Improvements:
<http://www.ncsl.org/research/energy/on-bill-financing-cost-free-energy-efficiency-improvements.aspx>