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EXAMPLES OF ON-BILL REPAYMENT PROGRAMS FOR SMALL COMMERCIAL CUSTOMERS

1. Madison Gas & Electric, Wisconsin

Program Name: [Shared Savings](#). The Shared Savings program provides capital for energy efficiency improvements that are attached to the building.

Brief Overview: Wisconsin was an early adopter of on-bill financing. Madison Gas & Electric (MG&E) has been running its program since the early 90s. Over 150 projects have been completed, equaling a combined total value over \$30 million.

Eligible EE Measures: The eligible measures are not specifically designated by the program. MG&E staff reviews each project application to make sure the business is creditworthy and the energy efficiency measures proposed are robust. According to MG&E staff, the average project cost is \$20,000. A particular certification of contractor is not required.

Customer eligibility: MG&E reviews utility payment history as well as the businesses' creditworthiness based on a review of the company balance sheet and income statement.

Amount Financed: \$5,000-50,000

Financing Terms: Up to 10 years.

Financing Source: MG&E works with a single financial institution to borrow capital to run the program.

Loan Obligation: Customer

2. Big Sandy RECC, Fleming-Mason RECC, Grayson RECC, and Jackson Energy, rural utility cooperatives in Eastern Kentucky

Program Name: [How\\$martKY](#)

Brief overview: Kentucky's Public Service Commission approved the pilot in December 2010. Open to homeowners and small-business. Charges remain with the property and not the customer, to benefit renters and business owners. After completing an energy assessment of the property and estimating the potential savings, the utility will oversee the contractor installing the energy efficiency upgrades and provide assurance that the improvements have been correctly installed.

Eligible EE Measures: Improvements such as insulation, air-sealing and HVAC upgrades and also lighting improvements and upgrades for small business.

Customer Eligibility: Consumer must be in Good Standing (No more than 2 delinquents in 24 months); must have 24 months of KWH history; must be current with Mortgage Lender.

Financing terms: Commercial property accounts will have a maximum repayment term of 10 years.

Financing source: Third-party: The Mountain Association for Community Economic Development (MACED) administers the program and provided initial funding of \$500,000 and secured a \$1 million low-cost loan from the Ford Foundation

Loan obligation: Meter

OTHER SMALL-COMMERCIAL PROGRAMS

(While PennFuture recommends the adoption of an on-bill repayment program - not on-bill financing, the below programs are good examples of successful models that target the small commercial class.).

1. San Diego Gas & Electric (SDGE), California

Program Name: Small Business Super Saver, Express Efficiency, Standard Performance Contract, Energy Savings Bid, Multi-family Rebate Program, select Utility Third Party Programs.

Brief Overview: In 2009, the California Public Utilities Commission issued that the state's investor-owned utilities adopt on-bill financing. San Diego Gas and Electric already had a program running, which they started in 2006. As of 2011, SDG&E and Southern California Gas have financed 856 projects totaling over \$20 million in combined total value.

Eligible EE Measures: Energy efficiency equipment qualifying for SDG&E rebates or incentives.

Customer Eligibility: Participant in a SDGE energy efficiency program; Active SDGE account for 24 months for the same business (businesses that relocate must have 12 months of usage at the new location); Account in good standing, with no deposit on record or disconnect notices in past 12 months.

Amount Financed: Commercial: \$5,000 - \$50,000/meter, Taxpayer-funded: \$5,000 - \$100,000/meter; No more than 100% of total project costs less rebates/incentives received. (Rebate/incentive reduced by 10% if loan repaid on the bill.)

Funding Source: Utility shareholders.

Loan Obligation: Customer

2. **United Illuminating**, Connecticut

Program Name: [Small Business Energy Advantage](#)

Brief Overview: United Illuminating started its on-bill financing program in 2000 specifically for the small commercial class. As of 2011, average project amounts tend to be between \$8,000 and \$12,000 dollars.

Eligible EE Measures: Energy-Efficient Lighting, Energy-Efficient Heating/Ventilation/Air Conditioning (HVAC), Energy-Efficient Refrigeration, Air compressors, Variable frequency drives.

Customer Eligibility: Commercial and industrial customers with an average 12-month peak demand between 10 kilowatts (kW) and up to 200 kW.

Amount Financed: Set at level that normally provides positive annual cash flow; Customer finances project costs minus an incentive between 25-50% of project cost; up to a \$22,000 incentive; up to \$78,000 financed.

Financing Source: Connecticut Energy Conservation Fund. The fund is comprised of capital from Class III Renewable Energy Credits, ISO-NE Forward Capacity Market Revenues, Regional Greenhouse Gas Initiative (RGGI) and American Recovery Act funding while it was available. As noted above, PennFuture recommends a third party lender to provide financing for a PA program.

Loan Obligation: Customer

3. **New Hampshire Electric Cooperative**, New Hampshire

Program Name: [SmartStart](#)

Brief Overview: The New Hampshire Electric Co-op and Public Service of New Hampshire both participated in an on-bill repayment pilot program in 2002. Both residential and commercial customers were eligible to participate. At the end of the pilot, the Public Service of New Hampshire decided to continue their on-bill program but only for municipal customers. The NHEC also still runs an on-bill program but only for the small commercial class.

Eligible EE Measures: Lighting upgrades, weatherization, air sealing, insulation. Project must not exceed 3/4 of measure's estimated annual savings over 3/4 of its estimated useful life.

Customer Eligibility: The member's credit must be in good standing with the Co-op in order to qualify for the Smart Start program. NHEC does not check outside credit reports.

Amount Financed: Varies.

Financing Terms: The terms of the financing are based on savings. Customers can choose to accelerate payments. The term can be extended to cover additional utility costs for out of warranty repairs and missed payments. There is a 5-year minimum payback on

projects. Interest rates change from month to month, but once a customer signs on to participate the interest rate is locked for the duration of that customer's project.

Financing Source: Guarantee fund borrowed by utility. As noted above, PennFuture recommends a third party lender to provide financing for a PA program.

Loan Obligation: Meter

4. Alliant Energy, Wisconsin

Program Name: [Shared Savings](#)

Eligible EE Measures: Any technology that saves energy may qualify for Shared Savings.

Customer Eligibility: Creditworthiness check on loan applicants.

Amount Financed: The amount financed is up to 5 times the annual estimated savings of the EE project.

Financing Terms: The longer the loan term, the higher the interest rate. Terms range from 0-60 months with the corresponding fixed APR between 0-6.9 percent. For example, if you choose a 12-month-or-less loan, you may be able to borrow funds interest-free, while 60-month loans are at 6.9 percent. The term and interest rate are determined upon origination of the loan. The term and rate are not adjustable following closing.

Financing Source: Utility buys down interest rate using System Benefit Charge (SBC) funds; use of shareholder dollars to fund the loans, defaults recovered through SBC. As noted above, PennFuture recommends a third party lender to provide financing for a PA program.

Loan Obligation: Customer obligation with UCC lien.

ADDITIONAL RESOURCES:

[U.S. Department of Energy Solution Center: On-bill Repayment Programs](#)

[Environmental Defense Fund: On-bill repayment programs](#)

[On-bill Financing Overview and Key Considerations for Program Design, 2012.](#)

[On-bill Repayment: Unlocking the Energy Efficiency Puzzle in California. 2011.](#)

[Financing and On-bill Repayment: Summary of Financing Issues & Mechanisms for Outside Capital. 2009.](#)