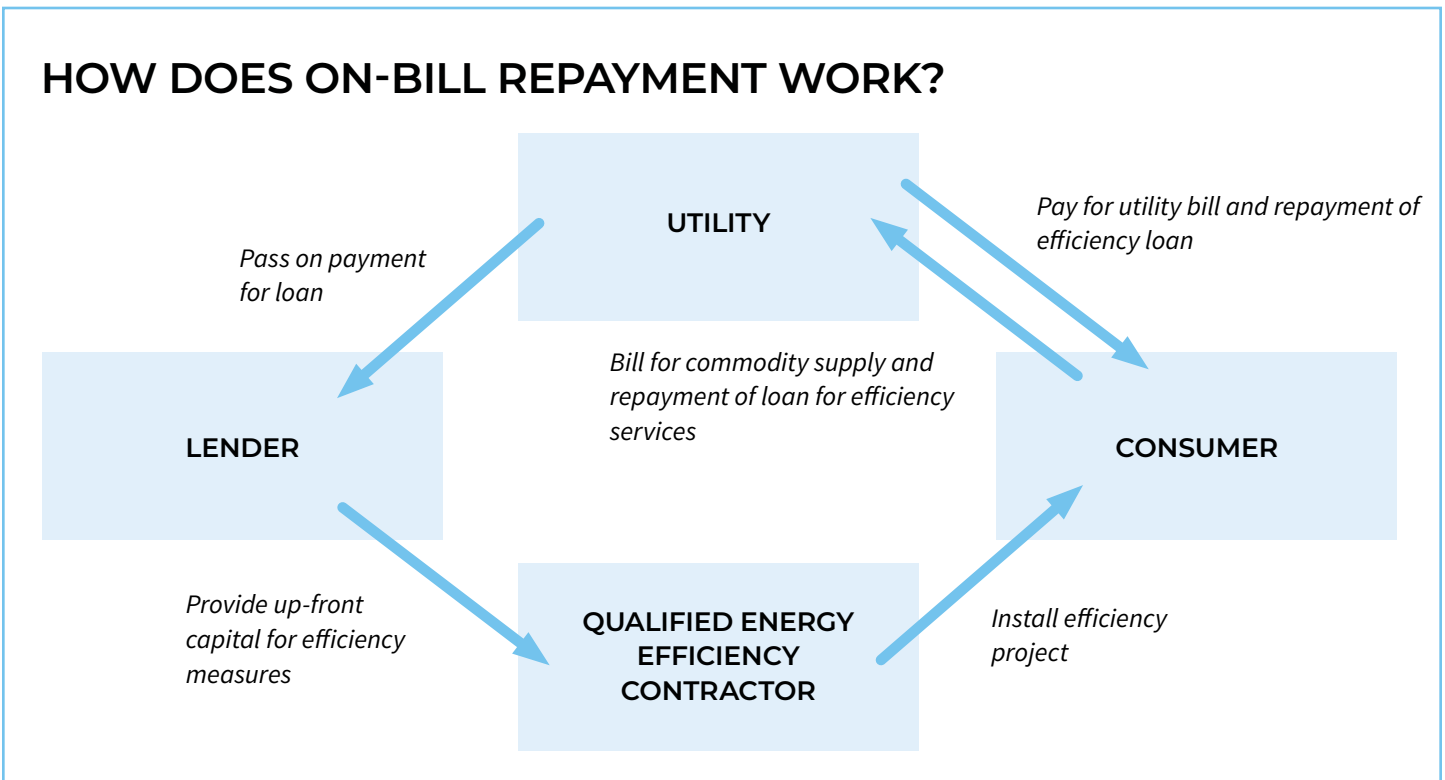


INTRODUCTION TO UTILITY ON-BILL REPAYMENT PROGRAMS

Most utility programs that support the financing of energy efficiency projects focus on using the utility bill as a way to finance the project. This is usually referred to as on-bill repayment or on-bill financing. In this case, a lender provides the up-front funds needed for an eligible energy efficiency project. A qualified energy efficiency contractor implements the project and paid with the funds from the loan. The utility then puts the loan payments for the project on the consumer's utility bill, which the consumer pays back along with its utility bill each month. Such programs address the major obstacle of access to up-front capital for making energy efficiency investments. In addition, the repayment mechanism through

the utility bill makes for a more secure repayment, resulting in relatively low default rates. Financing is usually provided by a third-party lender but the utility can support the program by funding staff time or providing credit enhancements (such as interest rate buy downs or loan loss reserves). Unlike Property Assessed Clean Energy (PACE) financing, the energy efficiency loan is not transferable and must be paid off by the original borrower. Regulators need to approve on-bill repayment programs and determine whether customers can be disconnected from electricity supply for non-payment of the loan and to ensure compliance with applicable state consumer finance laws and regulations.



ON-BILL REPAYMENT PROGRAM BENEFITS AND CHALLENGES

BENEFITS	CHALLENGES
<ul style="list-style-type: none">• Energy savings are paired with energy efficiency project loan repayment on the same utility bill.• Potentially better loan performance, as evidenced through lower default rates in on-bill repayment programs.• Utility-run financing programs can leverage other utility efficiency programs, such as rebates and technical support.• Can be structured to meet the needs of different market segments (including low to middle income).• State and local entities can support on-bill programs with public funds to provide credit enhancements.	<ul style="list-style-type: none">• The role of payment collector on behalf of a third party can add an administrative and regulatory burden to the utility.• Utilities may need to upgrade their billing and IT systems to facilitate on-bill repayment.• Regulator and utility need to become comfortable with consumer lending laws.• On-bill financing programs can be complex to set up.• Homeowners must usually pay off entire loan upon sale of property, which may mean that not all the energy savings have been realized.

QUICK STATS: ON-BILL REPAYMENT PROGRAMS

- On-bill repayment mechanisms have been used since the 1970s.
- There were more than 30 states offering some form of on-bill financing as of 2015, though many programs are small.
- Most focus on the residential sector.
- Examples of current programs include:
 - » California Investor Owned Utilities have been mandated by the California Public Utilities Commission to offer on-bill financing to commercial customers since 2010. View the [CITY ENERGY PROJECT RESOURCE COLLECTION CALIFORNIA INVESTOR-OWNED UTILITY ON-BILL FINANCING PROGRAM CASE STUDY](#).
 - » Energy Trust of Oregon offers On-Bill Repayment to Oregon customers.
 - » New York State Energy Research and Development Authority offers New York customers On-Bill Repayment for residential customers.
 - » Tennessee Valley Authority (TVA) Energy Right Solutions Program currently offers on-bill financing for heat pumps and other weatherization equipment.

MORE INFORMATION ON ON-BILL REPAYMENT

- [CITY ENERGY PROJECT RESOURCE COLLECTION: CASE STUDY ON CALIFORNIA INVESTOR-OWNED UTILITY ON-BILL FINANCING PROGRAM.](#)
- [U.S. DEPARTMENT OF ENERGY ON-BILL FINANCING AND REPAYMENT PROGRAMS OVERVIEW BETTER BUILDINGS ON-BILL REPAYMENT FACTSHEET.](#)
- [AMERICAN COUNCIL FOR AN ENERGY EFFICIENT ECONOMY FACTSHEET ON ON-BILL ENERGY EFFICIENCY.](#)
- [ENVIRONMENTAL DEFENSE FUND ON-BILL REPAYMENT.](#)
- [ON-BILL FINANCING OVERVIEW AND KEY CONSIDERATIONS FOR PROGRAM DESIGN.](#)

WHAT CITIES CAN DO

- Advocate local utility and state utility regulator for development of an on-bill financing program.
- Share information about the benefits of on-bill repayment programs (for example, low default rates and high participation rates) as a way to motivate regulator and utility action.
- Offer to support a local programs with staff time or some public funds to buy down the interest rate for city consumers.



LEARN MORE

Financing Resources

Funding for efficiency projects can be difficult given the bureaucracy of city governments. The [FINANCING RESOURCES](#) explore ways to finance city energy efficiency projects. You'll find detailed information on common funding mechanisms such as:

- Energy service companies (ESCOs)
- Performance contracting
- Commercial property assessed clean energy loans (C-PACE)
- Revolving loan funds (RLFs)

[VIEW RESOURCES >](#)