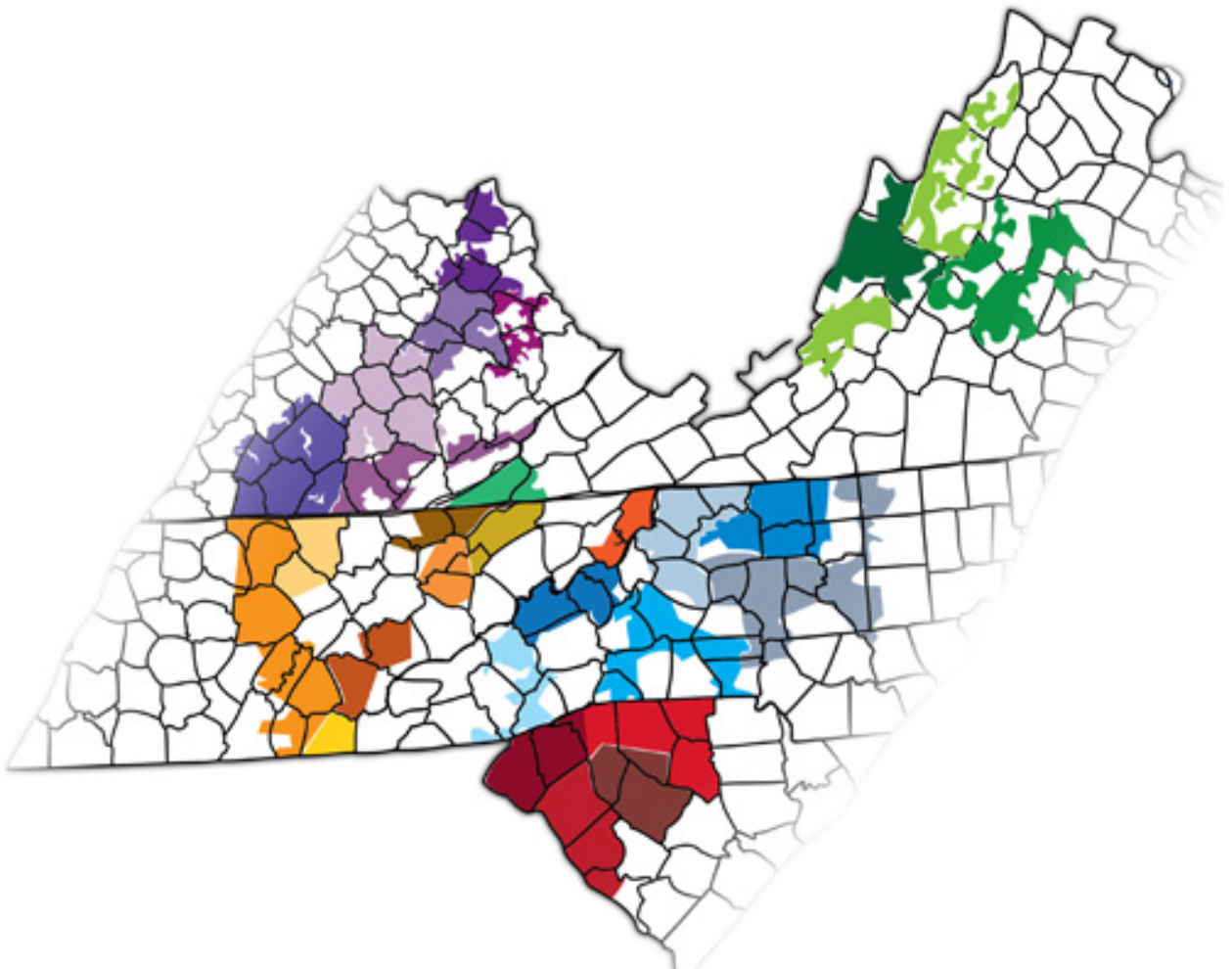


Energy Savings for Appalachia

Program overview and summary of on-bill financing for residential energy efficiency



AppalachianVoices

ABOUT THE PROGRAM

The southeastern US has 29 percent of the nation's energy efficiency potential, representing one of the nation's largest opportunities for reducing energy consumption, increasing energy security, and generating new economic opportunities. However, most states in the region are in the bottom half of the rankings for energy efficiency performance. Recognizing this vast potential, Appalachian Voices has developed a new Energy Savings for Appalachia program.

The primary goal of the program is to work with electric membership cooperatives (EMC's) across the region to develop and implement financing programs aimed at reducing residential energy consumption, particularly for low-income residents. A proven and highly effective means of accomplishing this is through "on-bill financing" programs. In addition to reducing residential energy consumption and costs, such programs help bolster local economic development while also benefiting EMC's by:

1. Increasing the amount of disposable income residents have to spend locally;
2. Bolstering local demand for energy services such as home energy audits, retrofits, and new energy efficient appliances; and,
3. Preventing or reducing new capital costs for EMC's—which also helps avoid or reduce future rate increases for residents.

In addition to serving as a resource for EMC's, Appalachian Voices will rely on our large grassroots network, field outreach operation and various media resources to promote energy efficiency programs to EMC members across the region, using our relationships with energy services businesses and academic institutions to bolster support and provide guidance.

WHO WE ARE WORKING WITH

Appalachian Voices is partnering with various organizations and stakeholders across our target region and on the national level, among which includes the Environmental and Energy Study Institute (EESI). EESI played a key role in developing South Carolina's "Help My House" program, a pilot on-bill financing program for low-income residents implemented by eight electric cooperatives. In partnership with the National Rural Electric Cooperative Association (NRECA), federal legislators and other key stakeholders, EESI also helped developed and is working to promote the Rural Energy Savings Program (RESP), which would authorize the US Department of Agriculture's (USDA's) Rural Utilities Service (RUS) to provide zero-interest loans to rural EMC's to develop their own on-bill financing programs. We are also developing relationships with our target EMC's as well as local, state and regional stakeholders in order to strengthen support for energy efficiency programs across the region.

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HOW ON-BILL FINANCING WORKS

Overview

On-bill financing programs for energy efficiency improvements, also referred to as “on-bill repayment” programs, are essentially loan programs where the borrower—a residential electricity customer—receives a loan from their electric utility or a third-party finance agent and re-pays the loan through an additional charge on their monthly electric bill. The intent is to eliminate the up front capital requirements to make cost-effective efficiency upgrades—thereby removing a significant barrier, particularly for low-income residents—and for the savings achieved as a result of the upgrades to exceed the loan repayment, providing a net savings to the resident. In addition, when the utility serves as the financing agent, it also benefits by receiving interest on the loans. This new capital (in addition to the repayment) may be used to provide new loans to other residents desiring to benefit from the program.

Program characteristics and elements

On-bill financing programs are more complicated to develop and implement than traditional loan programs. However, once the structure is in place, it can be expanded with little additional planning or relative effort. Fortunately, such programs have been developed by EMC’s in other states, and these models can serve as a resource for Appalachian EMC’s interested in developing their own programs.

In general, the characteristics of an on-bill financing program for energy efficiency include:

1. A low interest rate, typically 3% or less
2. A repayment period of 10 years or less
3. Loans tailored to the certified savings from efficiency improvements
4. Loan repayment on the monthly utility bill
5. Savings for the resident that exceed the repayment
6. Electric bill repayment history used in addition to or in lieu of credit checks
7. Loans that are tied to the electric meter instead of the ratepayer

The basic process and elements of on-bill financing programs include:

1. Identification of ideal participants based on electricity consumption, housing type and income status
2. A visual walk-through energy audit conducted by an EMC energy advisor
3. Processing of a customer’s loan application
4. Scheduling a comprehensive, certified audit to identify measurable efficiency targets and confirm loan eligibility
5. Resident contacts qualified contractors to solicit bids for approved retrofits
6. Selected bid is used to generate final loan documents
7. Loan is finalized and work conducted
8. Second certified audit is conducted after work is completed in order to confirm savings
9. If savings are confirmed, contractor receives payment and resident begins repaying loan

Federal financing options

Energy Efficiency and Conservation Loan Program

Traditionally, federal loans have not been available for financing utility energy efficiency programs. However, as RUS borrowers, rural EMC's may now apply for loans that cover a number of energy efficiency activities, among which include on-bill financing programs. A new RUS loan program, the Energy Efficiency and Conservation Loan Program (EECLP), will provide loans to eligible rural EMC's who make energy efficiency loans to their members.

As they pertain to residential energy efficiency, eligible activities and investments include: all energy efficiency measures implemented on the premise of an electricity consumer; energy audits; consumer education and outreach programs; power factor correction equipment on the consumer side of the meter; and, installing more energy efficient lighting

It is anticipated that the EECLP rule will be finalized no later than October 2013. The final rule will outline the procedures for providing loans to eligible utilities that will establish energy efficiency activities in their service territories. RUS expects that \$250 million per year will be dedicated to the program, and the federal interest rate will be the standing Treasury rate plus 0.125%. The maximum interest rate that rural EMC's may charge to program participants will be provided for in the final rule. The proposed rule can be read at:

http://www.rurdev.usda.gov/SupportDocuments/UEP_EE_ProposedRule.pdf

Rural Energy Savings Program

On June 11, the US Senate passed a five-year Farm Bill that includes a provision providing for the creation of the Rural Energy Savings Program (RESP). Based on South Carolina's successful "Help My House" program and first introduced in 2012 as a stand-alone bill—RESP would authorize RUS to provide zero-interest loans to rural EMC's specifically for creating on-bill financing programs. It is still uncertain whether RESP will survive the final negotiations on the Farm Bill. However, if it does, RESP will become a special loan program under the EECLP. Specific funding levels for RESP are yet to be proposed. For more information, visit:

http://files.eesi.org/resp_bills_062612.pdf

Examples and successes

On-bill financing programs supporting home energy efficiency improvements are relatively new, but they have already proven to be highly successful and growing in popularity. For instance, pilot programs having been implemented in Kentucky and South Carolina, and a full-scale program is being offered through Midwest Energy in Kansas. Each of these programs has achieved an average savings of 20 percent or more for their participating customers, and initial results for the South Carolina program estimate that the average loan is saving participating low-income residents nearly \$1,300 per year. For more information on each of the aforementioned programs, visiting the following websites:

South Carolina's Help My House program: <http://www.helpmyhouse.org/>

Kentucky's How\$mart program: <http://www.maced.org/howsmart-overview.htm>

Midwest Energy's How\$mart program: <http://www.mwenergy.com/howsmart.aspx>