On-Bill Financing Spurs Water and Energy Retrofits Webinar - Questions and Answers

July 18th, 2013

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1. How do utilities handle partial payments? Do they apply part of the payment to energy bill and part to energy efficiency loan repayment or energy bill first?
   - Bill (HowSmartKY) - We don’t have many partial payments. If there is, the partial payment will go to retrofit project first then the utility bill.

2. Can the customer still be cut off if partial payment is enough to cover the energy bill but not the loan?
   - Bill (HowSmartKY) – They wouldn’t be cut off since payment goes to retrofit charge first. Public Service Commission tariff does say that if they don’t pay off retrofit charge, they can be cut off. None of the utilities wants to cut off the customer, so they will work with the customer.

3. How can we motivate a city own utility to do this plus pay extra for loan payback management?
   - Bill (HowSmartKY) – It can be difficult to talk them into it, because the biggest thing for utilities is capacity – they don’t have an energy auditor or the ability to handle many calls. MACED is trying to figure out how to help utilities with this. The benefit for the utility is making money on demand charges and HowSmartKY can affect their bottom line by making projects more energy efficient. It’s a huge customer service pull for the utility.

4. What is the interest rate on the Windsor PAYS loan?
   - Lauren (Windsor PAYS) - The Windsor PAYS program does not rely on a loan based system. Surcharge is about 7% overall per project at the program level. Customers pay a specific surcharge based on the measures that they pay, it’s not just based on measure value and insulation costs, the way a financing program might. It’s a utility surcharge. About 3% repays the town’s general fund, and 4% creates a lost revenue amelioration fund.
5. **Does the 5% project fee include the audit and modeling cost? If not, are these cost paid by the utility or the customer upfront?**
   - **Bill (How$martKY)** – 5% is for administrative cost and a little bit for energy model. Co-ops are already doing energy audits and modeling so it’s not extra what we were asking them to do it. What is new is after collecting the data, they are then putting it into modeling software. The utility is not too worried about extra administrative cost. In 2.0, we are offering full service for a fee to co-ops that don’t have capacity and see the need for this program. There will also be charge a $250 fee to customer that will cover energy modeling and data tracking that used to be free in the pilot. We are still sticking to having everything pencil out, no money out of the customers pocket.

6. **Can you apply rebates to retrofits and only charge the net amount to on-bill repayment?**
   - **Lauren (Windsor PAYS)** - That is how the program is designed so that electric utility rebates offered in our area can be applied. Customers themselves don’t see the rebates but they are built into total measure package and surcharge.

7. **What is the default rate on both the programs?**
   - **Bill (How$martKY)** – Zero percent for How$mart. We have a 24-month period that a house can be inactive before it defaults. The utility would pay interest for those 24 months to the financer (MACED). At the end, if it is inactive, they can go to risk mitigation fund to get interest payments back, and capital pay off back.
   - **Lauren (Windsor PAYS)** – We have a similar provision in the Town of Windsor program, and to date have had no issues with lack of payment. However, it has only been operational for 7 months, which is not a long history.

8. **Do any utilities guarantee the savings will be lower than the surcharge/debt service payments?**
   - **Lauren (Windsor PAYS)** - We do not guarantee it because the savings estimate is based in part on residents reported behavior patterns. Savings can be influenced other ways, but the customer is aware of that in the offer. Based on reported use the savings are expected to exceed the surcharge.
   - **Bill (How$martKY)** – it’s the exact same for us. We spell it out for the customer as well. We are conservative on our projections, and the customer usually ends up saving more.

9. **Do you have a time frame for when PAYS may launch/pilot with the other Bay area entities you mentioned?**
   - **Lauren (Windsor PAYS)** - Our goal is to launch programs by February 2014. We are hoping to launch sooner.
10. You’re trying to push whole-house retrofits, how often does that cost so much that the efficiency savings don’t cover the repayment costs?

- Bill (How$martKY) – That would happen a lot if we went to each house without knowing usage. With our Member Services department, it comes down to talking to the customer about how the program works keeping their usage in mind.

11. "10% saving in energy and 20% saving in water use" are these in terms of costs on each individual's bill or in terms of the energy and water themselves?

- Lauren (Windsor PAYS) - Those percentages reported are energy in terms of kilowatt-hours and therms, and water in gallons.

[Cuts off at 49:51 and comes back at 51:16]

12. Please tell a bit more about the software you use to audit energy consumption in a household before and after the retrofitting.

- Bill (How$martKY) – We use TREAT Energy Audit Software, COMPASS and SURVEYOR which run on top of TREAT.

13. Do you also audit for energy like the software in Bill’s case? And what approach do you use to audit water consumption before and after retrofit – do you use software for that?

- Lauren (Windsor PAYS) – We have an in-field tool that contractors use to audit energy and water use from the measure offerings specifically in the PAYS program. It’s not as detailed as the modeling in the How$mart program but we do assess project energy and water impact of the measures that the customer is eligible.

14. Why would landlords who don't pay utilities do this?

- Bill (How$martKY) – A landlord can rent a house better if it’s energy efficient. It’s also an investment in the home. He can put these measures in place and have the tenant pay for it out of the savings therefore not costing the tenant anymore money. The landlord does have to pay for those fees if the tenant moves out.

15. What percentage of participation is initiated by non-owners of a home?

- Bill (How$martKY) – We don’t have that many renters. We only have probably 3-4 out of 120.

16. Does the capital investor contract with contractors and have in the contractors agreement that the customer/utility is not obligated for the surcharge if there is no savings, or how does the “no obligation” incentive work?

- Lauren (Windsor PAYS) – The contracts are required to be bonded and accountable for cost of measure failures on their part but I’m not familiar enough with contract between the Town and the contractors to know the specifics.
17. Where does the capital for the program come from? How are you able to offer 3% loans?

- Bill (How$martKY) – Capital comes from Mountain Association for Community Economic Development (MACED) for the four co-ops in the pilot and three other co-ops going forward for the next several years. The money comes in at around 1% and we mark it up by 2%. We’re breaking even. MACED wants to see a program like this out there working and able to see scale up and go statewide.

18. How were the programs advertised and marketed to homeowners and renters? Any key strategies emerged for communicating, marketing or advertising these efforts?

- Bill (How$martKY) – Since it was a pilot program, not a lot of huge promotion into it. Didn’t want take too many jobs and stress the capacity. There is a co-op monthly newsletter and we ran ads in a couple of those. We also will do local newspaper advertising for 2.0. Biggest factor is word of mouth.

19. Have any attempts been made to apply these methods on commercial and/or industrial buildings?

- Bill (How$martKY) – Our tariff says we can do small commercial but we have not done any. Co-ops are leery about doing commercial location because of risk. We are looking into changing it to 5-6 years instead of 15-year, which might help the co-ops with commercial locations.

20. Could you talk about the success of on-bill financing versus customers who decline financing and pay for the measures on their own?

- Bill (How$martKY) – It has only happened a couple of times. How$mart is the best financing tool for the customers otherwise, historically, it doesn’t get done.

21. What are the costs of running the program including marketing, administration, home assessments and back end quality control?

- Bill (How$martKY) – For promotion, the newsletter is a free service. I can’t tell you the cost for the co-ops. However, we do run the program for a couple of co-ops. For them, it’s about $1,900-$2000 a completed job with the majority being mileage, driving across Kentucky. Without that mileage cost, it’s about $1,200. The more co-ops in centralized locations with energy advisors in those locations, and the cost can be brought down.

22. Are gas savings measures available and if so, how does the electric utility work with the gas utility if they are not the same organization?

- Bill (How$martKY) – We originally had gas savings, but we ran into that problem. Our tariff outlined that we would not raise customers electric bill. If we converted from gas to electric, the electric bill will be raised but the utility will be reduced. We had to take off gas in the pilot. We would like to work with gas utilities in the future.
23. Is the How$mart program structured to cover all program costs or is other financing used?
   - Bill (How$martKY) – For the pilot, we were able to raise soft money through grants and private foundations. In How$mart2.0, those costs are going to be covered by the utility if they do it themselves or if we do it, there will be a charge to customers and to the utility to help cover our cost. We think we can do it cheaper than what it costs the co-op.

24. I’d like to understand better what happens when a customer leaves. Also, are any retrofit measures that can possibly be taken away (e.g. fridge)?
   - Bill (How$martKY) – We haven’t done any appliances but we could. We do install heat pumps, which people can run off with, and sometimes they do. The customer signs a contract, which says they cannot remove any of the measures, or the customer is liable for those costs.