



On-Bill Financing: Recommendations before the SAG

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Citizens Utility Board
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Illinois Energy Loan Program

- **ILEnergyLoan.com** - Launched January 1, 2020
- Borrowers can finance \$500-\$20,000 on eligible energy-saving equipment
- Residential owner-occupied and tenant occupied, **single-family** (1-4 unit) homes, condos, and mobile homes (utility account must be in name of owner)
- Unsecured loan added to monthly utility bill
- Fixed rate loan terms: **4.99%*** interest rate for 1, 3, 5, 7 and 10 years
- No fees, points, or closing costs, can finance 100% of installation costs
- Utility account cannot be under a deferred payment agreement or been shut off for nonpayment within the last 12 months

*As of May 1, 2020



Background

- Created by Public Act 96-0033, added Sections 16-111.7 (electric) and 19-140 (gas) to PUA
- Eligible customers included: residential building owners of **4 or less units**, multi-family residential building owners of **50 or less units**, small commercial customers who own their buildings (**peak demand less than 100-150 kW**)
- Electric and gas utilities must coordinate in shared service territory
- Start-up, administrative, and evaluation costs can be socialized across residential and small commercial customer base
- Loan must be paid in full upon title transfer or termination of service
- Customers can participate regardless of supplier



Program Benefits

- Expanding energy efficiency access
 - 87% of measures purchased through OBF were the result of the OBF loan being available*
- Serving customers in the middle
- Interest rate lower than private lender rates for unsecured lending
- Preferable to average APRs (16.88%-17.14% in 2019)
- Low default rate: 0.16%*

* Cadmus Energy Services Division, "Illinois On-Bill Financing Program Evaluation," June 1, 2015



Goals

- **Market** the program to customers who will be well-served by the offering
- **Ensure** all customers understand program terms
- **Maximize savings** by putting incentives first and encouraging customers to take advantage of other offerings
- **Expand** contractor recruitment and training to better understand the program and benefits



Incentives First

- **Maximizing savings** by pairing loans with rebates (all marketing materials should reflect)
- **Joint utility promotion:** “If it is done as joint promotion with the rebate programs and uses a segmented market approach. Each of the utilities should review their portfolio marketing materials to incorporate mention of the OBF Program wherever it is appropriate.” (2015 report, p. 95)
- Pair HVAC equipment investment with **air sealing and insulation**
 - 2015 report: out of 1,989 unique partial participants:
 - 38% Central AC, 25% furnace, boiler, or heat pump
 - Only 3% insulation/air sealing



Implementers and Contractors

- 2015 report: $\frac{3}{4}$ of participants found out about program through their contractor
- 2015 report recommended “utilities and the lender should review contractor outreach and training practices to **ensure contractors are learning from each other** the best ways to promote the OBF Program” (p. 95)
- 79 contractors currently listed
- **Incentivize contractors** to maximize customer benefit
 - No built-in incentive for contractor to emphasize less expensive measures
 - Another reason it is crucial for information about rebates to be ubiquitous
 - 2015 report: 25% of participants found out about program without a contractor, and some contractors even reported finding out about the program through a customer



Expanded Customer Options

- Include offerings for **multi-family** and **small business** customers
- Customer education
 - Income-qualified/eligible options: equip customers to make **informed decisions**
 - Federal Equipment Tax Credits for Primary Residences (extended through 12/31/20 - would apply if extended further)
 - **Further Incentives:** "As part of the process, vendors shall also provide to participants information about any other incentives that may be available for the measures." 220 ILCS 5/16-111.7(c)(3)
- **Early repayment option**
 - 2015 report: many customers "requested an early repayment option that allows the borrower to make incremental payments in excess of the monthly bill...[rather] than a lump sum...a standard feature of private-sector financing products in the dollar range of program loans" (p. 95)



Reporting

- Initial evaluation required by the PUA was intended to assess the cost-effectiveness of the program, but this assessment must be updated, especially given program as part of the larger portfolio
- Measures installed
- Participant costs
- Approval rate
- Time for approval of loans
- Default rate
- Customer survey



Thank you!

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