RILA
RETAIL INDUSTRY LEADERS ASSOCIATION
Educate.Collaborate.Advocate.

ON-BILL FINANCING (OBF) AND ON-BILL REPAYMENT (OBR)

Prepared By:
IMT INSTITUTE FOR MARKET TRANSFORMATION

On-bill financing (OBF) and repayment (OBR) are financing options whereby a utility or lender supplies capital to a utility customer to make energy efficiency improvements and is repaid through regular monthly loan payments on an existing utility bill. One of the benefits of these programs is the potential to serve a broad set of retailers, including retailers in both owned and leased spaces.

OBF and OBR have been successful across the country and are great mechanisms for retailers that have control over their utility bills in eligible utility territory. OBF and OBR can be particularly appealing due to their short terms, low to zero interest rates, and convenient structures.

Why should you use it?

- Your company is looking for a simple mechanism to finance energy efficiency projects that lower utility bills and benefit your bottom line.
- Your company is open to low or zero interest loans specifically for energy efficiency that are paid for with energy savings directly on your utility bill.
- Your company is seeking financing for specific energy conservation measures with a short to medium payback period (2-5 years).

Who has used it in the past?

Commercial on-bill programs have been successful across the country and have lent at least $197 million for efficiency projects, since 2000.

Several retailers in the food and grocery industry have utilized on-bill programs in recent years with favorable results. A grocer based in California qualified for a $100,000 zero-interest loan through PG&E and is saving over $20,000 per year. The company leveraged the program to add to their bottom line and now uses 42% less energy made possible by a (zero-interest) loan that will be repaid in full via their utility bill in less than 5 years.

Utilities across the country have their own variation of OBF and OBR programs, including, but not limited to: National Grid, Eversource, Pepco, Pacific Gas and Electric, Seattle City Light, and Southern California Edison. Specific programs vary by utility.

What are the advantages?

- **Convenient Structure** – Paying back the loan directly on the utility bill is convenient. A majority of customers see a reduction or no change in their bill.
- **Great for Leased Space** – So long as the retailer is billed by the utility or is authorized to be considered an extension of the utility customer, it is a viable option for those in leased space.
- **Flexibility** – There is flexibility for retailers who wish to change locations, as the repayment obligation can be passed along to future tenants.
- **Favorable Rates & Standardized Processes** – Low to zero interest rates are available, as programs are typically ratepayer funded. There are reduced program costs because of standardized processes.

Better Buildings® U.S. DEPARTMENT OF ENERGY

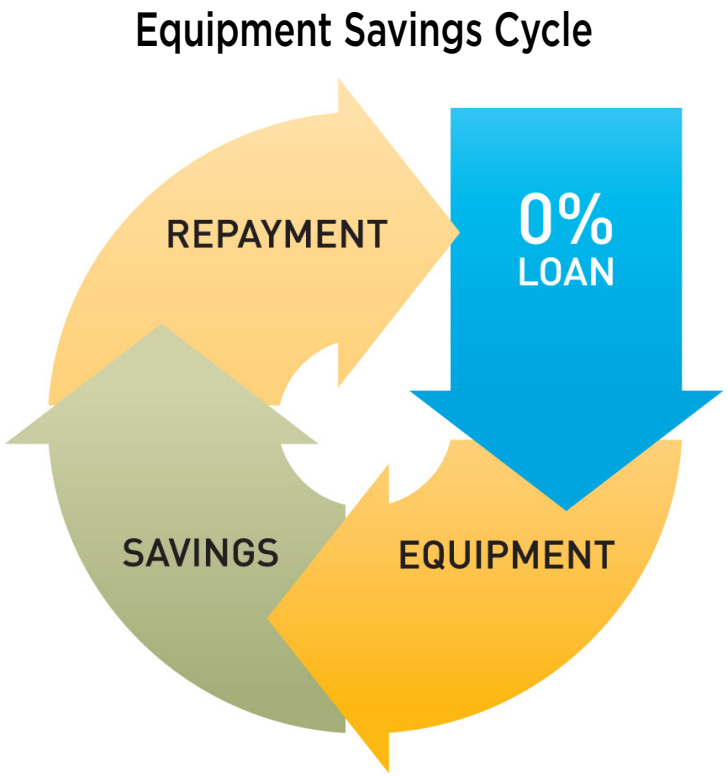
This resource was completed with support from the Department of Energy's Office of Energy Efficiency and Renewable Energy and the Better Buildings Initiative to highlight innovative proven energy solutions from market leaders in the Retail sector. Find more ideas at the Better Buildings Solution Center at betterbuildingssolutioncenter.energy.gov

What are the downsides?

- On-bill programs are only offered by select utilities and program specifications vary by utility. Therefore, on-bill financing may be difficult to implement as a portfolio-wide initiative.
- On-bill programs are not suited for very large projects.
- The consequence of non-repayment is utility disconnection.
- Savings are not guaranteed, so returns rely on accuracy of projected energy savings.

Who should you talk to next?

- Talk to your internal finance team to learn more about the company's history and comfort with utility financing programs.
- Reach out to your local utility to inquire about the on-bill programs in your area or visit the Database of State Incentives for Renewables & Efficiency at www.DSIREUSA.org.



Source: PG&E's equipment savings cycle, Volume II: Innovations Across the Grid, December 2014

ON-BILL IN THE MARKET

On-bill financing (OBF) and repayment (OBR) are financing options whereby a utility or lender supplies capital to a utility customer to make energy efficiency improvements and is repaid through regular monthly loan payments on an existing utility bill. One of the benefits of these programs is the potential to serve a broad set of retailers, including retailers in both owned and leased spaces.

When funds are provided by the utility, the repayment structure is termed OBF. OBR is when a private financial institution extends loans to utility customers and relies on the utility's bill presentment function for repayment. On-bill programs have mostly focused on energy efficiency measures, though renewable energy and water efficiency projects may be eligible as well. On-bill programs vary by state and by provider, and each program has its own terms and processes.

Commercial on-bill programs have been successful across the country and have lent at least $197 million for efficiency projects. Two successful programs are offered by Pacific Gas and Electric (PG&E) and Eversource (formerly included CL&P). PG&E offers loans ranging in size from $5,000 to $100,000 and has financed $65 million worth of projects since the program began in 2010. Eversource's Small Business Energy Advantage program has completed over 7,000 loans since its inception in 2000 with an average loan size of just over $10,000.

Several retailers in the food and grocery industry have utilized on-bill programs in recent years with favorable results. A grocer based in California qualified for a $100,000 zero-interest loan through PG&E and is saving over $20,000 per year. The company was able to use the program to add to their bottom line and now uses 42% less energy in their facility, enabling them to achieve a Green Business Certification. The facility will repay their loan in full in less than 5 years.

A pizza restaurant in California is also benefitting from PG&E's on-bill program, as they received a $5,660 zero-interest loan and are saving close to $3,000 annually on utility bills. In just 2 years, the loan will be repaid in full and the restaurant will continue to see an 18% reduction on their utility bill.

In sum, on-bill programs are perhaps the best fit for retailers looking for a quick solution to finance energy efficiency upgrades and reduce utility expenses. Not only can the energy and cost savings be significant, but on-bill programs also typically achieve 2-5 year payback periods, which meet a typical retailer's internal payback threshold. Contact a local utility or visit the Database of State Incentives for Renewables & Efficiency at www.DSIREUSA.org for more information about the on-bill programs in your area.

This material is based upon work supported by the Department of Energy, Office of Energy Efficiency and Renewable Energy (EERE), under Award Number DE-EE0007062.

This resource was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.