

# On-Bill Finance

CAC

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Shraddha Mutyal, Program Manager, Peninsula Clean Energy

# Agenda

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- Background
- Existing programs
- PCE's proposed OBF Program
- Customer Experience
- Timeline and Next steps

# Background

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- Existing Building electrification needs large upfront capital
- Rebates address a portion of upfront costs but not scalable
- Financing can also assist to address customer's upfront costs
  - Important option as volumes increase
- HMB and Menlo Park are working on existing building ordinances
  - Could trigger larger volume

# On-bill finance advantages over other finance

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- **Less customer complexity**
  - Customers comfortable with regular utility bill payments
- **Widely adopted, demonstrated low default rates**
  - Less than 3%, average 1.5% for residential
- **Lower interest rates for customers**
  - Increases uptake
- **Can apply to wide range of energy measures**
  - Building electrification, solar and storage, EV infrastructure

# Existing Programs

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- SCP launched OBF March 2021
- SVCE has identified finance as top priority
- Widely used among utilities (2014 DOE study)

Sector	Number of participants	Lifetime Loan Volume (nominal \$)	n =	Average Size of Loan	Median value and range of default rates	n =
Residential	182,324	\$1.05B	20	\$5,787	0.08% (0 to 3%)	15
Non-residential	50,339	\$775M	7	\$15,400	0.9% (0.6 to 2.9%)	7
Total	232,663	\$1.83B	27 <sup>6</sup>	\$7,867		22 <sup>7</sup>

# Sonoma Clean Power Program

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- \$1M revolving capital fund
- Terms
  - \$10,000 maximum loans
  - Up to 10-year term, 0% interest, fixed monthly payments
  - Customer is homeowner
  - Customer may qualify for multiple loans
  - Customer must be in good standing (3 billing cycles), no other underwriting
  - SSN recorded for collections, if necessary
- Measures
  - Electrification (water heating, HVAC, panels, etc.), Efficiency, Batteries
  - Combined with equipment discounts and rebates
- Launched March 2021 (32 applications to-date, ave. loan: \$3,750)

# PCE's Proposed OBF Program

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- \$1M PCE capital fund
- Up to \$10,000 per customer, 5-year max. loan term
- 0% interest
- Supporting electrification measures
  - HPWH, HP-HVAC, HP dryers, Induction cooking and electrical panels
- Integrate with BayREN Home+ program
- Typical bill:
  - Water heater upfront cost: \$5,000
  - 5-year loan term
  - \$80/month charge (without incentives, ~\$40/mo with incentives)

# PCE's Proposed Customer Experience

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1. PCE promotes OBF to contractors, customers
2. Contractor provides bid and recommends OBF to customer
3. PCE works with customer to sign OBF agreement
4. Contractor completes project as per agreement
5. No out-of-pocket first costs for customer
  - Contractor paid directly by PCE after successful project completion
6. Loan payment added to customer bill in 1-2 billing cycles
7. Customer makes monthly payments



# Tentative Timeline and Next steps

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- Request Board approval for \$1M PCE capital fund – Aug 2021
- Program launch – Jan 2022