

Case 07-M-0548 – Proceeding on Motion of the
Commission Regarding an Energy Efficiency
Portfolio Standard (EEPS)

Working Group VI – On-Bill Financing (OBF)
Interim Report Presentation

November 3, 2008

What is OBF?

- On-Bill Financing (OBF) is a mechanism that allows customers to repay costs of energy efficiency measures through their utility bills.

How does OBF relate to the goals of EEPS?

- Working Group VI is studying the appropriateness, ability, and possible models by which public utilities could implement and administer On-Bill Financing (OBF) to support the goals of New York State's Energy Efficiency Portfolio Standard (EEPS) as defined in Case 07-M-0548.

Interim and Final Reports

- The Interim Report is a snapshot of the working group's approach, accomplishments to date, examples of potential models the working group is evaluating, and work that remains.
- Work continues toward a Final Report that will provide:
 - Recommendations regarding the implementation of OBF in New York State
 - Recommendations for parameters that should be common in all OBF programs
 - Recommendations of elements that should be left to the discretion of individual utilities
 - Model OBF programs

OBF Building Blocks

The scope of the Working Group's activities was defined by a list of eight "building blocks" describing fundamental questions that must be addressed before OBF programs are implemented.

- Are there Banking and Regulatory responsibilities and obligations that would be imposed on utilities offering OBF?
- Would projects be consistent statewide or customized by service territory? Would utility-specific pilot programs and/or full scale programs be best? Should there be a goal of standardized statewide rules or "best practices" for OBF?

OBF Building Blocks

- Which customer classes would be eligible to participate in OBF of EE measures?
- Should there be specific OBF programs for low-income customers?
- Do existing laws, regulations, and utility tariffs permit the utility to disconnect service to a customer for failure to pay the OBF portion of the bill? Should the Commission approve a type of OBF program that provides for the disconnection of customers for failure to pay OBF amounts? If so, would legislative, regulatory or tariff changes be necessary?

OBF Building Blocks

- Should OBF implementation and administrative costs and the underlying EE programs be funded from Systems Benefit Charge (SBC), utility ratepayers, third party capital providers, and/or efficiency vendor sources?
- What are the Total Resource Cost (TRC) Test implications for the OBF models? When are these programs economically justified?

OBF Building Blocks

- What are the advantages and disadvantages of specific fundamental model design elements of various OBF alternatives? For example:
 - To what extent should participants be required to bear the costs of EE measures in an OBF program?
 - Should the Commission approve a form of OBF program in which the OBF charge runs with the meter as opposed to being an individual customer's debt obligation?

Team Research

- The working group spent a significant amount of time researching:
 - Financing models in practice
 - OBF (Utility bills and collects payments)
 - Non-OBF (Lender or 3rd party agent bills and collects payments)
 - Legal Issues
 - Extension of Credit or Debt Collection
 - Licensing of Lenders and Debt Collectors
 - Disconnection
 - Funding Sources
 - SBC (or similar)
 - Third-Party Lender
 - Governmental or Public Agency Bonding

OBF Model

The working group developed a list of fourteen key program elements that should be considered in the development of any OBF model.

- Program Objectives;
- Target Customer Groups;
- Sources of Funding;
- Creditworthiness;
- Loan Obligation;
- Payment Terms;
- Default Consequences;
- Partial Payment Allocation;
- Interest Charges;
- Administrative Charges;
- Fuel-Blind Potentials;
- Certification;
- Recourse in the event of Savings Failure;
- Customer Service/Consumer protections;

The group is developing several OBF models for consideration in its Final Report.

Most significant issues

- Funding Sources
- Assignment of Obligation
- Incremental value of OBF over non-OBF programs
- Whether OBF should be “Fuel-blind”
- Disconnection for non-payment
- Customer classes

Work that remains

- The working group plans to complete its research and discussion of critical issues and key program elements. It will continue to evaluate OBF program elements and funding sources.
- The Final Report will also contain:
 - Review of existing OBF and non-OBF program already in operation throughout the country
 - OBF models for consideration using key program elements to define each