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.
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
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?
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
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