



On-Bill Repayment Program in North Carolina

VOLUNTARY CLEAN ENERGY INVESTMENTS REPAID ON UTILITY BILLS

Benefits¹

- **Energy Efficiency at Scale** – Uses private investment dollars instead of ratepayer or taxpayer funds—*tripling annual energy efficiency investment in North Carolina.*²
- **Lower Borrowing Costs** – Enables building and home owners to secure energy efficiency loans at lower cost than many traditional lending products.
- **Economical Alternative to New Generation** – Promotes local energy efficiency and distributed energy investments that avoid expensive new power plants – *saving North Carolina's ratepayers \$3 billion in energy bills.*³
- **Flexible Program Design** – Can include a range of eligible property types, financing options, and energy efficiency and renewable energy projects.

How it works

On-bill repayment (OBR) offers an opportunity for home and building owners to finance energy efficiency and renewable electricity generation projects through cost-savings loans from third-party investors. The loans are repaid through customers' utility bills and financed at no additional cost to ratepayers. OBR allows for longer term loans with lower interest rates.

Example: North Carolina homeowner

- Current utility bill: \$158 per month

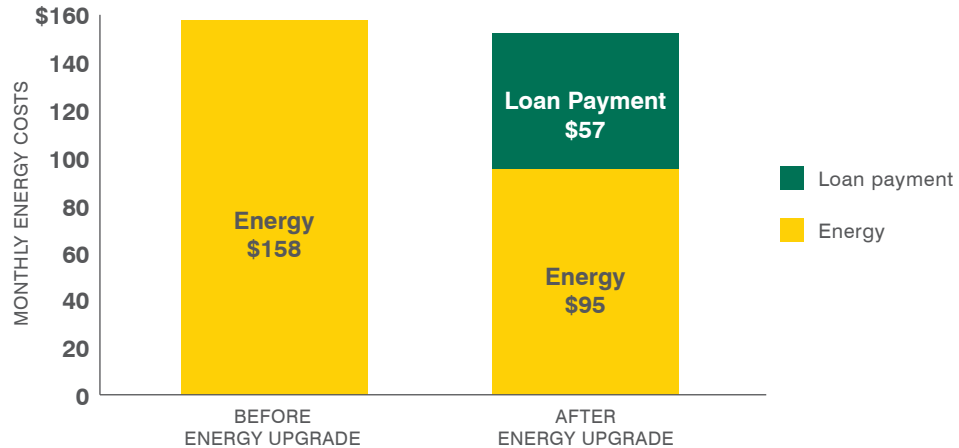
- Investments: Duct sealing, insulation, programmable thermostat, new windows and new refrigerator.
- Expected utility bill savings: \$63 per month
- Investment loan: \$7,200
- Loan terms:
 - Interest rate on loan: 5%
 - 15 years repayment schedule
 - Monthly payment: \$57
- Utility bill after retrofit: \$95
- Utility bill + loan payment: \$152
- **Savings: \$6 per month**

¹ EDF calculations using economic potential of energy efficiency projects from Unlocking Energy Efficiency in the U.S. Economy (McKinsey & Co. 2009) and assuming on-bill repayment changes effective lending interest rate from 15%/year to 5%/year.

² Estimated range for total energy efficiency investments is \$3.4 to \$5.0 billion over 12 years. 2011 annual investment in NC uses \$108 million estimate from Consortium for Energy Efficiency's State of the Efficiency Program Industry.

³ Estimated range for energy efficiency benefits is \$2.5 to \$3.8 billion in avoided energy costs; additional benefits can be enjoyed from investments in distributed local renewable energy.

Energy upgrades repaid on-bill can lower utility bills



Q & A: On-Bill Repayment

Q. Does a similar utility program already exist?

A. No. Some utilities have established limited loan programs targeted at small businesses. However, these programs tend to have high administrative costs, use utility or ratepayer funds, and don't reach homeowners. On-bill repayment uses third-party capital to create savings for ratepayers and has virtually unlimited potential for scaling up to meet demand.

Q. Would every project provide immediate net savings to the building owner?

A. In order for a project to be eligible for this program, a neutral third-party inspector would need to certify that the new total energy bill is expected to be lower than previous levels.

Q. What happens if a homeowner can't pay their utility bill?

A. In the unexpected circumstance where a homeowner does not pay their utility bill, the utility would follow all standard procedures for unpaid bills. The Lender would not have authority to interrupt a customer's utility service. Partial bill payments would be allocated proportionally between the lender and utility. Under the terms of the program, it will be easier for consumers to pay their utility bills because the bills will be lower and exposed less to energy price shocks.

Q. What types of buildings will be eligible?

A. Several leading financing institutions have expressed interest in financing a wide variety of commercial, industrial and residential buildings.

Q. Can this program work for low-income renters who might have trouble qualifying for a loan?

A. By mobilizing investor capital at low rates of interest, on-bill repayment provides a means to scale up low-income programs without depending on ratepayer contributions. Additionally, this program solves split-incentive and high turnover challenges in rental homes by linking the loan to the meter, not the tenant.

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