

On-Bill Repayment Working Group
Termination SubCommittee Meeting
December 28, 2009

A sub-group of the on-bill financing group met at the offices of NCLC on Dec. 28. Present in person were Jim Keshian and Derek Buchler of Bay State; Larry Chretien of Mass Energy; John Howat and Charlie Harak of NCLC; Birud Jhaveri of NSTAR; and Trish Walker of Southern Union. Paul Johnson was present at the meeting via phone.

The group raised a number of questions regarding the structure of any on-bill financing, with a focus on the question of whether the customer could be terminated for failure to pay solely the financing charge that would appear on the bill (that is, even if the distribution and generation/supply charges were paid).

No consensus was reached on any of the key questions. However, there was largely a consensus that these key questions were inter-related and would need to be addressed:

1. Would the lender be secured or unsecured (e.g., would the lender have some type of lien or other secured interest)?
2. Would the lender (or utility company) engage in any type of screening before extending any credit?
3. Would the lender (or utility) be allowed the right to terminate service if the financing charges were not paid? [Related to this, the utility companies present were also questioning whether they themselves would be considered the lenders v. simply the billing agent for the underlying lenders. The utilities present were in consensus that they did not want to be lenders].
4. How would partial payments be allocated, as between the distribution company's charges and the financing charges?

There was also discussion of a number of other issues:

- Is it a useful screening tool to require that a customer have a good payment history (e.g., no missed payments in 12 months) as a condition of receiving a loan?
- Should the utility energy efficiency programs bear the cost of guaranteeing OBF payments if customers default, as a means to attract investors (and at less overall cost than if the investors had no guarantee?)
- Several in the group thought that getting more information on the HEAT loan program (including default rates; applications submitted; applications rejected by the lender) would better inform any decisions about the design of any OBF program.
- The group several times noted that the barriers in offering OBF to tenants are much higher than in offering a workable OBF program to owners. There was related discussion of whether the payment obligation would run with the tenant v. the meter; how to provide incentives for owners of rental property to cooperate with EE investments that might reduce tenant bills (and also potentially increase the value of the property); and how to provide adequate incentives to tenants to participate, given that they may not live in their rental units long enough to reap a net gain. There was also discussion of increasing the income eligibility for renters (and owners) to receive 100% grants rather than partial rebates --- above the current 60% of median income cap to

perhaps 120% of median. This latter suggestion was made in response to a discussion of whether OBF should be offered at all to those above 60% of median but who still have limited means to invest in EE (e.g., less than 120% of median).

- There was also discussion, and differing views, on whether loans should only be offered when the bill savings will be greater than the financing charge. While some saw this as an inherent feature of a well-designed OBF program, others pointed out that the costs of the financing charges could easily exceed the energy savings, especially for such high-cost items as furnace/boiler replacements.
- On the question of whether a customer should face the risk of termination if financing charges are not paid, the majority of sentiment appeared to favor not allowing for termination, but several pointed out that if termination is not allowed, many customers would be less likely to pay and investors might charge much higher interest rates.
- The question was raised as to whether OBF is the best approach to increasing the number of people who participate in EE investments. Other suggestions included developing a Home Energy Rating System for existing homes and rental units, and revising the building and/or sanitary codes to incorporate minimum insulation requirements and heating system efficiency standards for existing dwellings.
- Questions were raised about which industry bears the cost of OBF (electric? gas? both?) and whether the assignment of these costs is equitable, given that the EE investments are fuel blind (electric, gas, oil).
- There was discussion of the idea that one size might not fit all, and that separate programs might need to be devised for homeowners v. renters, and for low-income (under 60% of median) v. moderate income (e.g., 60% of median to 120%) v. higher income.

Notes by C. Harak