

HowSmartKY (ON-BILL FINANCING PILOT PROJECT)

Four distributions cooperatives (Big Sandy, Grayson, Jackson & Fleming-Mason) have partnered with the Mountain Association for Community Economic Development (MACED) to operate a pilot program offering on-bill financing for customers wishing to pay for energy efficiency measures as part of their utility service.

After a full energy audit of the property, customers select a contractor from a pre-approved list of contractors supplied by the cooperatives. At completion of the work the utility pays for the investment and a fixed monthly charge is assigned to that location, capped at 90% of the projected average monthly savings. Customer contributions and additional rebates can be applied to reduce the capital investment from the utility. The repayment obligation is tied to the location – rather than the individual customer – and remains with the location should the customer move or sell the property. This approach has been implemented in several other states including South Carolina (included with this packet). This 200-home pilot program was approved by the KY Public Service Commission on December 16, 2010.

Main Findings:

- This financing tool can overcome barriers to achieving efficiency savings by providing for customers' upfront capital costs, and allowing repayment through the utility bill without requiring consumer debt financing.
- Education and outreach are essential to ensure the homeowner understands the process fully.
- Targeted marketing by the utility is important to reach customers who will benefit most from energy efficiency improvements, thus producing enough energy savings to finance the improvements.
- Robust data collection to track improvements and cost effectiveness is essential.

Benefits:

- Customers without cash-on-hand can participate
- Whole-house approach is superior to single-measure approach.
- Because the financing is tied to the electric meter, personal financial history (including low income or poor credit) is not barrier to participation.
- Investments in the building stock can yield long-term improvements, allowing for deeper savings than some other DSM programs.
- The mechanism can be applied to commercial buildings or rental properties in addition to owner-occupied residential units; these sectors have historically been more challenging to penetrate through traditional DSM approaches.
- The beneficiary pays for the capital improvement over time rather than the rate base.

Barriers/Challenges:

- Requires administrative integration from the utility, internal or third-party assessors and project managers, and participation of adequately knowledgeable, licensed and insured contractors to carry out the work.
- Some customers think it is too good to be true, and thus do not move past the initial audit phase of the program – outreach, education and reliable communication from the utility is important to overcoming this barrier.