

# CALIFORNIA INVESTOR-OWNED UTILITY ON-BILL FINANCING PROGRAM

In 2007, the California Public Utility Commission (CPUC) directed three Investor Owned Utilities (IOUs) to develop and manage zero interest On-Bill Financing programs to target non-residential customers. The purpose of the programs are to drive participation by eliminating the up-front cost barrier and make repayment convenient for customers. The CPUC approved on-bill financing programs starting for the 2010–2012 cycle and the IOUs have been running On-Bill Financing Programs since then. Minimum loans are \$5,000 and the maximum loan varies by customer type and IOU. OBF loans are designed to be bill neutral, meaning that monthly payments are not expected to exceed projected monthly energy savings. Loan terms are calculated using the total project cost and the projected monthly energy savings, with a maximum term of five years for commercial, industrial and agricultural customers, and 10 years for taxpayer-funded institutions.

## CASE STUDY: SOUTHERN CALIFORNIA EDISON (SCE) ON-BILL FINANCING PROGRAM

### General characteristics:

0% interest, no fees or loan costs, repayment through monthly SCE utility bill

### Eligibility criteria:

- SCE customer for at least 2 years
- Be in good credit standing with SCE
- Non-residential customer

### Loan limits and terms:

- Minimum amount: \$5,000, maximum amount: \$100,000 for business customers; \$250,000 for government or multi-family customers
- Loan term: up to five years for a business and up to 10 years for other non-residential
- Term of loan can not exceed the expected useful life of the installed equipment
- Monthly loan repayment amount is calculated to be approximately equal to the monthly dollar savings on the utility bill based on the project

## SIGNIFICANT IMPACT

Accomplishments as of Dec. 15, 2015  
(based on 2018 analysis by the CPUC):

**\$157 M**

In loans issued since 2010

**2,787**

Loans issued from 2013–2015

**38,400**

Average loan size (2013–2015)

**0.06%**

Default rate since 2010

## WHAT ARE UTILITY ON-BILL REPAYMENT PROGRAMS?

A lender provides the up-front funds needed for an eligible energy efficiency project. A qualified energy efficiency contractor implements the project and is paid from the loan. The utility then puts the loan payments for the project to the consumer's utility bill, which the consumer pays back along with its utility bill each month. Such programs address the major obstacle of access to up-front capital for making energy efficiency investments.

In addition, the repayment mechanism through the utility bill makes for a more secure repayment, resulting in relatively low default rates. Financing is usually provided by a third-party lender, but the utility can support the program by funding staff time or providing credit enhancements (such as interest rate buy downs or loan loss reserves). Unlike Property Assessed Clean Energy (PACE) financing, the energy efficiency loan is not transferable and must be paid off by the original borrower. Regulators need to approve on-bill repayment programs and determine whether customers can be disconnected from electricity supply for non-payment of the loan and to ensure compliance with applicable state consumer finance laws and regulations.

## SUCCESSFUL FEATURES OF CPUC

**Long term program commitment.** The CPUC has committed to on-bill financing for almost 10 years, giving the utilities the ability to develop the expertise to effectively manage these programs. 3 year cycles of funding commitment help maintain momentum in customer outreach and marketing.

**Appropriate sizing of loans.** California's on-bill financing program has both caps to limit total loan amounts and focuses on sizing the loans so that the loan amount is commensurate with the anticipated energy savings. This makes the loans easier to repay, and has enabled the very low default rates experienced in the program.

**Leverage of other utility programs.** Because the utilities run the on-bill financing programs and also administer other energy efficiency rebate and incentive programs, they are able to maximize all possible additional incentive sources before assessing the project's borrowing needs. This reduces the level of debt required and ensures that the project is taking advantage of all possible incentives.

**Use of revolving loan fund extends possible financing.** The funds allocated to on-bill financing are structured as a revolving loan fund within the three year funding cycle, and the utilities are able to increase lending when loans are repaid, enabling the original funds to be deployed more effectively.



### LEARN MORE

#### Introduction to On-Bill Financing Fact Sheet

The City Energy Project Resource Library features the [INTRODUCTION TO ON-BILL FINANCING FACT SHEET](#), to help a city implement an on-bill financing program.

[VIEW FACT SHEET >](#)

## REFERENCES

1. California Public Utilities Commission. (2018) Energy Efficiency Portfolio Report. Retrieved from [http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About\\_Us/Organization/Divisions/Office\\_of\\_Governmental\\_Affairs/Legislation/2018/13-15%20Energy%20Efficiency%20Report\\_Final.pdf](http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About_Us/Organization/Divisions/Office_of_Governmental_Affairs/Legislation/2018/13-15%20Energy%20Efficiency%20Report_Final.pdf)
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3. Southern California Edison. (2018) On-Bill Financing Fact Sheet. Retrieved from [https://www.sce.com/sites/default/files/inline-files/OBF%2BFact%2BSheet%2B1117%2Br4WCAG\\_K%2B%281%29\\_2.pdf](https://www.sce.com/sites/default/files/inline-files/OBF%2BFact%2BSheet%2B1117%2Br4WCAG_K%2B%281%29_2.pdf)