



On-Bill Financing: A Consumer Perspective in Illinois

**Cate York
Sustainable Communities Liaison
Citizens Utility Board
2/27/20**

Background on CUB

- Created in 1983 by the Illinois General Assembly
- Independent, nonprofit representing the interests of IOU ratepayers (residential and small business)
- Regulatory matters before the ICC, the General Assembly and in the courts
- Has saved customers more than \$20 billion by challenging rate hikes and securing refunds
- 500+ outreach events per year, consumer and trade publications
- Consumer advocacy hotline: 1-800-669-5556
- www.citizensutilityboard.org



Public Act 96-0033

- Added Sections 16-111.7 (electric) and 19-140 (gas) to the Public Utilities Act
- Required 5 IOUs to create ICC-approved programs "allow utility customers to purchase cost-effective energy efficiency measures with no required initial upfront payment, and to pay the cost of those products and services over time on their utility bill."

Bill Status of SB1918 96th General Assembly

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Short Description: DPH-MIGRANT LABOR CAMP-LICENSE

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Last Action

Date	Chamber	Action
7/10/2009	Senate	Public Act 96-0033

Statutes Amended In Order of Appearance

[210 ILCS 110/3](#)

from Ch. 111 1/2, par. 185.3

Synopsis As Introduced

Amends the Illinois Migrant Labor Camp Law. Provides that licenses shall be issued prior to operation (instead of upon a calendar year basis). Effective immediately.

Eligible Customers

- Residential building owners of 4 or less units (homes, duplexes, condos)
- Multi-family residential building owners of 50 or less units (owner must be account holder, maximum monthly payment cannot exceed 50% of their average utility bill)
- Small commercial customers who own their buildings (peak demand less than 100-150 kW)



Image source: Envato Elements

Eligible Measures

- ICC-convened workshop process for stakeholder input
- Can include:
 - If projected savings will cover costs (product, installation and fees)
 - Products or services included in a Commission-approved EE or DR plan: 8-103 and 8-103B (electric), 8-104 (gas)
 - Post-assessment recommendations by a BPI-certified energy auditor (electric)
 - Rehabilitation work required to install an EE measure, cannot exceed 25% of project cost (electric)

Other Requirements

- "Maximum outstanding amount financed" (principal not yet repaid):
 - Originally \$2.5 million for electric, can increase to \$20 million
 - Gas utilities may impose \$150,000 per site limit
- Electric utilities must coordinate with gas utilities in shared service territory "so that it is practical and feasible for the owner of a multifamily building to make a single application to access loans"
- Start-up, administrative, and evaluation costs can be socialized across residential and small commercial customer base (Rider EE for electric)
- Loan must be paid in full upon property title transfer or termination of service
- Customers can participate regardless of supplier

Evaluation

- Independent evaluation required 3 years after program launch
 - Interpreted as EPY4-6 and GPY1-3 (June 1, 2011 to May 31, 2014)
- Intended to analyze:
 - Effects of measures installed
 - Customer eligibility criteria
 - Should loan be tied to customer or meter?
- ICC would report summary and recommendations to the Governor and General Assembly

IL EE Loan Program

- Launched 1/1/20
- Energy Finance Solutions (EFS)
 - Financial Services Division of Slipstream
- Initial interest rate 5.99%
 - Semi-annual prospective rate adjustment not to change below 5% or exceed 9%
- Loan amounts from \$500 to \$20,000
- Loan repayment terms of 1, 3, 5, 7, 10 years
 - 7 and 10 only for \$8K+

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Illinois Energy Efficiency Loan Program

[Program Terms and Features](#) | [Eligible Measures](#) | [Frequently Asked Questions](#) | [How to Apply](#) | [For Contractors](#)

Program Overview

The Illinois Energy Efficiency Loan Program is brought to you by participating gas and electric utilities:



ComEd
Energy Efficiency Program



Energy
Efficiency
Program

PEOPLES GAS®
ENERGY EFFICIENCY PROGRAM

NORTH SHORE GAS®
ENERGY EFFICIENCY PROGRAM

Energy efficiency investments are a cost-effective means to decrease energy consumption, enhance building comfort, and reduce utility bills. Despite the benefits of energy efficiency investments, high upfront costs can be a significant barrier to investing in home energy improvements. The Illinois Energy Efficiency Loan Program allows utility customers to pay for the investments through a monthly loan charge on their utility bill.

<https://www.energyfinancesolutions.com/forhomeowners-illinois-loan-program>

Eligible Customers

- Owner-occupied residential buildings of 4 or less units (homes, duplexes, condos, mobile homes)



Image source: Envato Elements

Underwriting Criteria

- FICO score must be 640 or higher
- No bankruptcy, foreclosure, or repossession in previous 7 years
- No collections, judgements, tax liens in excess of \$2,500
- Debt to Income Ratio less than 50%
- Utility account verification and bill requirements vary by utility
 - For Ameren, PGL, and NSG, "all parties listed on the utility bill must be borrowers"

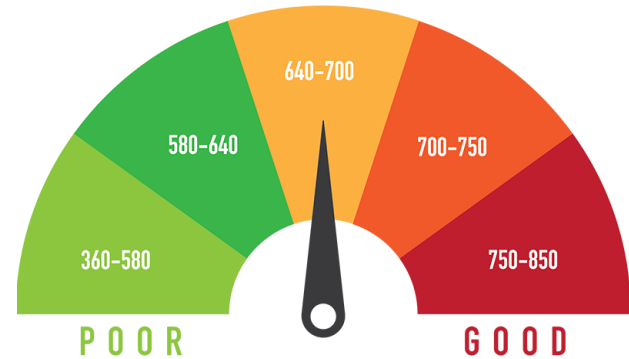







Image source: Advia Credit Union

Eligible Measures

- All electric or natural gas energy efficiency measures set forth in utility's approved EE (and for electric DR) plan (ComEd, NSG-PGL)
- EEPS - easiest way to ensure cost-effectiveness

UTILITY	ELIGIBLE MEASURES - RESIDENTIAL
	Furnaces (AFUE \geq 95%)
	Air Sealing
	Attic Insulation (R11 to R49)
	Bathroom Exhaust Fan
	R11 Wall Insulation
	Rim Joist Insulation
	Crawl Space Insulation
	Central Air Conditioning (SEER 16 or greater)
	Air Source Heat Pump (SEER 16 or greater)
	Natural Gas Boiler (AFUE \geq 90%)
	ECM Blower Motor
	Smart Thermostats
	Smart Thermostats
	Central Air Conditioning (SEER 15 or greater)
	ECM Blower Motors Retrofit
	Air Source Heat Pump (SEER 16 or greater)
	Ductless Mini-Split (SEER 17 or greater)
	Geothermal Heat Pump
	Furnaces (AFUE \geq 95%)*
	Boilers (AFUE \geq 95%)
	Prescriptive air sealing and attic insulation (per rebate program requirements)
	Air sealing and other qualifying recommendations per energy assessment
	Furnaces (AFUE \geq 92%)*
	Boilers (AFUE \geq 90%)
	Furnaces (AFUE \geq 92%)*
	Boilers (AFUE \geq 90%)*

Other Factors

- Joint offering between ComEd, Ameren Illinois, Nicor Gas, Peoples Gas, and North Shore Gas
- ComEd capped at \$20 million loan limit
 - \$1.5 million in outstanding loans admin by previous lender (12/1/19)
- NSG-PGL capped at \$2.5 million loan limit
 - \$634,000 outstanding loans admin by previous lender (11/2019)
- 61 authorized contractors (across service territories)
- Evaluation?

Barriers

- Building ownership
 - Rental units allowed, but building owner must be account holder as well as borrower
 - Limits eligible small businesses
- Not meter tied (limits SF renters)
 - 98% of interviewed participants said loan payoff before moving wasn't a concern
 - This doesn't factor in opinions of ineligible participants
- Maintenance/repair liability varies by contractor

Barriers

- Credit score
 - 50% rejection rate at 640 - Cadmus recommended that the credit score requirement could be lowered by 20-40 points and decrease the denial rate by up to 9 percentage points (51% to 42%)
 - Recommended a bill payment history pilot
 - Could drop denial rate to 38%
 - Example of NYSERDA program - uses credit score or bill payment history
- Interest rate
 - 87% of measures purchased through the program were the result of the OBF loan being available
- No cost recovery charge cap

Challenges

- Dollar cap on loans
- Can be difficult to find a lender
 - Joint program offers fewer admin costs, but limits lender availability
- Program inconsistency
- Contractor engagement
 - ¾ of participants found out about program through their contractor
 - Recommended presenting program in contractor training and expanded contractor recruitment
- Electric EE evaluation hasn't caught up with AMI deployment
 - Cost-effectiveness based on TRM, not usage data

...so why OBF?

- Expanding EE access!
 - 87% of measures purchased through the program were the result of the OBF loan being available
 - Only 26% of furnaces - "reactionary purchases"
- Serving customers in the middle
 - IHWAP only extends to 200% FPL
 - Even with moderate income EE programs, there are still gaps in access
- Preferable to credit card financing
 - Average credit card APR 16.88% - 17.14% in 2019 (federal reserve)
- Low default rate: 0.16%
 - \$12,151 in loan losses
- No disconnections
 - Though some accounts were at times disconnect-eligible

Transparency of Terms

- Overpayments are credited to the utility account
 - So customer cannot pay down a portion of the loan (unlike solar bridge loans)
- Utility requirements must be met at time of application *and* upon loan closing*
 - Otherwise customer must pay full loan amount to the contractor
- Full balance of loan due before moving
- Cancellation period (3 days in current offering)
 - 28% of approved customers withdrew their application (2015)
- ARES education (SB0651)

*PGL-NSG only requires time of application



Next Steps

- Utilities will collaborate with Slipstream to expand the OBF Program to multi-family and small business sectors
- Utilities also working on expanding measure eligibility





Thanks!

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