Michigan Saves
On-bill Financing Made Easy . . . or Easier!

Michigan Municipal Electric Association
September 13, 2018

www.michigansaves.org
What is Michigan Saves?

Michigan Saves is a nonprofit green bank with:

- A process driven by research and stakeholders
- A loss reserve for lenders
- Oversight of authorized contractors
- Program guidelines and quality control
- Demand for energy efficiency through outreach and incentives
Michigan Saves Residential Loan Features

- 24/7 loan application center
- Ten-minute loan approval process
- Simple, fixed rate—no teaser rates—(a better deal for your customers!)
- Lower rates—now starting at 4.25% APR
- Higher dollar value—up to $50,000
- Longer terms—up to 15 years
- Low cost for contractors
- No penalty for early payoff
- New program for denials
Results
(Through 7/31/18)

Customers served: **11,971**
Amount financed: **Over $144 million**
Leverage ratio: **20 to 1**
Lifetime electric savings: **1.4 million megawatt hours**
Lifetime gas savings: **38 million therms**
Greenhouse gas savings: **6.8 million metric tons**
Default rates: **Less than 2 percent**

Five- to seven-year goal: Finance $1 billion of energy improvements
Utility Collaboration

• Interest rate buydowns:
  • Consumers Energy—0% APR for 36 months (commercial)
  • DTE Energy—1.99%/2.99% APR for 24/60 months (commercial)
  • Wyandotte Municipal Services—1.99% APR for 120 months (residential)
  • Lansing Board of Water & Light / Consumers Energy—0% APR for 48 months (residential)
  • Consumers Energy—0% APR for 48 months (residential)

• Programs:
  • Holland On-bill Loan Program (Holland Board of Public Works and Holland Energy Fund)
What is On-bill Financing?
Why On-bill?
Market Gaps Addressed by On-bill Programs

• On-bill expands access to those who don’t qualify for traditional loans by using utility bill payment history for underwriting.
• Lengthening terms to 15 years oftentimes gets close to matching payments to savings.
• Tenants can work with landlords to share the costs and realize benefits of improvements.
• Homeowners who expect to move soon may be more inclined to install energy waste reduction improvements if the obligation transfers to next owner.
• One bill makes it easy for customers to pay.
Legislation

• Michigan Municipal Utility Residential Clean Energy Program Act (PA 408 of 2014) enacted December 2014
  • Enables municipalities that have municipal electric utilities to establish a “residential clean energy program”
  • Allows a municipality to enter into a contract with a residential property owner to finance or refinance one or more energy projects on the property and repay the loan on the utility bill

• Public Acts 341 and 342 of 2016 enacted December 2016
  • Enables regulated utilities to establish a “residential projects program”
  • Allows an owner of record of property in the provider’s service territory to finance or refinance an energy project and repay the loan on the utility bill
Case Study: Holland On-bill Loan Program
Holland Board of Public Works (BPW)

- Wholly owned subsidiary of the City of Holland
  - Electric
  - Water
  - Wastewater
  - Broadband
- Service area includes city and four townships
- 28,000 electric meters
  - 82 percent residential
  - 18 percent commercial and industrial
- www.hollandbpw.com
Holland Energy Fund (HEF)

- Nonprofit corporation
- Five-member board
- $3 million line of credit from Holland BPW to fund loans
  - Interest rate is the current U.S. Treasury bill rate
- Holland BPW provides some administrative assistance and incentives
- www.hollandenergyfund.com
Holland On-Bill Program Goal

• To strengthen community and neighborhood by:
  • Encouraging deep energy savings (environment)
  • Increasing access (equity)
  • Administratively operating in a cost-effective manner (economic)
Holland On-bill Program Design

- Eligible measures
  - Anything in Michigan Energy Measures Database
- Loan type—tariff
  - $5,000 to $30,000
  - Fixed interest rate (4.99%/5.99%)
  - Up to 15 years
  - Transferable
- Qualification criteria
  - Bill payment history
  - Comprehensive energy assessment
- Source of capital
  - Reserves (to start)
- Administration
  - Holland BPW and Michigan Saves

www.michigansaves.org
# Holland On-Bill Loan Program Results

<table>
<thead>
<tr>
<th>November 2016–July 2018</th>
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<tbody>
<tr>
<td>Number of applications</td>
<td>144</td>
</tr>
<tr>
<td>Number of closed loans</td>
<td>66</td>
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<tr>
<td>Total financed amount</td>
<td>$929,219</td>
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<tr>
<td>Average financed amount</td>
<td>$14,079</td>
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<tr>
<td>Average annual electric savings</td>
<td>838.60 kWh</td>
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<tr>
<td>Average annual natural gas savings</td>
<td>341.75 therms</td>
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<tr>
<td>Average number of measures financed per project</td>
<td>7.43</td>
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Setting Up an On-bill Program
Determine Program Scope

Goal Setting

Increase the number of participating customers making energy and/or water improvements through the following measures:

- Maximizing the long-term reduction in energy and/or water use/demand per household
- Expanding access to financing for individuals who may not qualify for financial products currently in the marketplace
- Making energy and/or water improvements more affordable for customers
Determine Program Scope

Program Development

• Assess barriers
  • Lack of capital? Lack of capacity? Lack of need?
• Develop participation requirements
  • Underwriting criteria; eligible properties; minimum financed amount
• Select eligible measures
• Determine available administrative resources
  • IT, billing, program management resources
• Adopt a resolution of intent, as required by PA 408
Determine Program Financing Sources and Structure

• Source of capital
  • Internal funds, public funding, ratepayer funds, bonds, millages, private lenders, foundations, U.S. Department of Agriculture (USDA) loans
• Credit enhancements
  • Form of risk management that protects the financial exposure of the lender to losses
• Method of assessing creditworthiness
  • Credit scoring, debt-to-income ratio, on-time utility bill payment history
• Loan or tariff structure
  • Does the loan stay with the individual or with the meter?
• Consequences for nonpayment
Hire Program Administrator

- Drive demand for an on-bill program
  - Identify target market
  - Develop marketing and outreach plan
    - Should align with program goals
- Develop and manage a network of local contractors
- Develop process for screening measures
- Set quality assurance standards and procedures
- Establish data management and evaluation, measurement, and verification standards
- Contract with loan originator and servicer (as required)
Launch and Monitor

- Implement the marketing and outreach strategy
- Manage the activities of loan originator and servicer
- Conduct quality assurance activities
- Analyze program results and impact
What’s Next for On-Bill Programs?

- **On-bill financing workshops**
  - September 18, 10 AM–2 PM, Traverse City
  - September 25, 10 AM–2 PM, Marquette

- **Apply for funding through USDA Rural Energy Savings Program**
  - USDA provides a 0% APR loan for 20 years to an entity, who can lend the funds to customers at 3% APR for ten years
  - [https://www.rd.usda.gov/programs-services/rural-energy-savings-program](https://www.rd.usda.gov/programs-services/rural-energy-savings-program)
  - Letters of intent due by September 30, 2019, or until funds are allocated
  - Michigan Saves can help you apply!
Michigan Saves Can Help!

Our goal is to help all utilities participate in a statewide on-bill system to:

- Create economies of scale
- Lower administrative costs
- Make implementation easier for each utility
- Centralize financing expertise
- Offer consistency in program design
Thank you!

Todd Parker—Customer Service Manager

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