Coast-to-Coast: An Update on On-Bill Financing Program Strategies

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First Cost Remains A Barrier to Energy Efficiency Programs

- This has been an ongoing barrier to energy efficiency programs since 1980's.

- This presentation summarizes the best practices and lessons learned from a review of energy efficiency financing programs around the US

The "Dirty Secret" About Energy Efficiency Financing Programs

- Less than 0.1 percent of all customers currently participate in an energy efficiency financing program
- Why?
  - Energy savings do not drive energy efficiency improvements
  - But customers will invest in improvements that ***lead*** to energy savings.

Project Overview

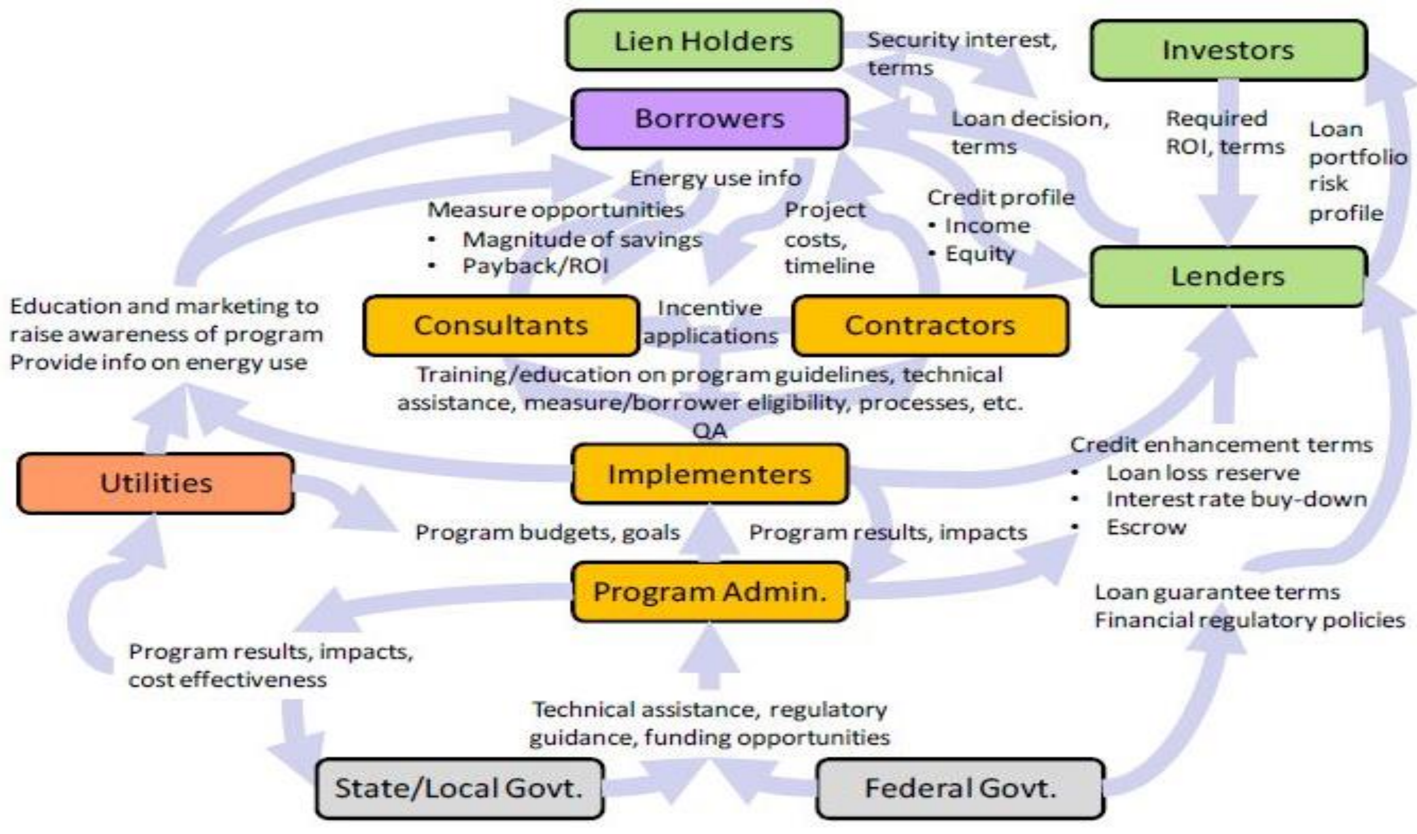
- Conduct process evaluations to inform and improve financing programs for:
  - Efficiency Maine Trust’s PACE Program in Maine
  - Clean Energy Works of Oregon’s On-Bill Financing Program

Process Evaluation Methodologies

- Literature reviews review regarding current on-bill financing programs and strategies,
- In-depth interviews with key stakeholders
- Reviewing current program materials
- Comparison of key metrics to measure program success
- Analysis of customer surveys of on-bill customers at the seven critical stages of the financing program decision for Clean Energy Works Oregon, including program dropouts.

Key Findings/Lessons Learned from the Process Evaluation Activities

- **Finding # 1. These programs are complicated --for everyone.**



Finding #2. Defining success—depends on what you measure.

Program	**Conversion Rate (Audit to Project Completion)**	**Source**
Long Island Green Homes	72%	NERI 2012
Midwest Energy How$mart Program	70%	Midwest Energy 2012
Progress Energy (FL)	50%	Energy Savvy Report 2012
MidAmerican Energy	50%	Energy Savvy Report 2012
Focus on Energy	50%	Energy Savvy Report 2012
National Grid (RI)	40%	Energy Savvy Report 2012
Clean Energy Works of Oregon	**39%**	CEWO Database 2012
New Jersey HPwES	38%	NERI 2012
APS (AZ)	35%	Energy Savvy Report
Energy Trust (OR)	35%	NERI 2012
SustainableWorks	32%	NERI 2012
NYSERDA	30%	NYSERDA Press Release 2012
Industry Average	25%	NERI 2012

Finding #3. Don't date contractors, pursue them!

- Contractors are often the “program ambassadors” and therefore they are critical to developing a successful long-term program.
- The programs with the highest volume of loans all have strong contractor networks and regular program communication with those contractors.

Finding #4. Energy efficiency is not the primary motivator- and never has been.

- Customers much more focused on making “home improvements”.
- More than 3.3 million homeowners completed projects involving HVAC equipment upgrades with an average project cost of over $3,300
- Both the literature review and the CEWO process evaluation identified the importance of offering financing for “qualifying measures” rather than just home improvement projects.
- But these projects should generate long term positive cash flow so the term of the loan should not exceed the useful life of the improvements.

Key Strategies for Successful Financing Programs

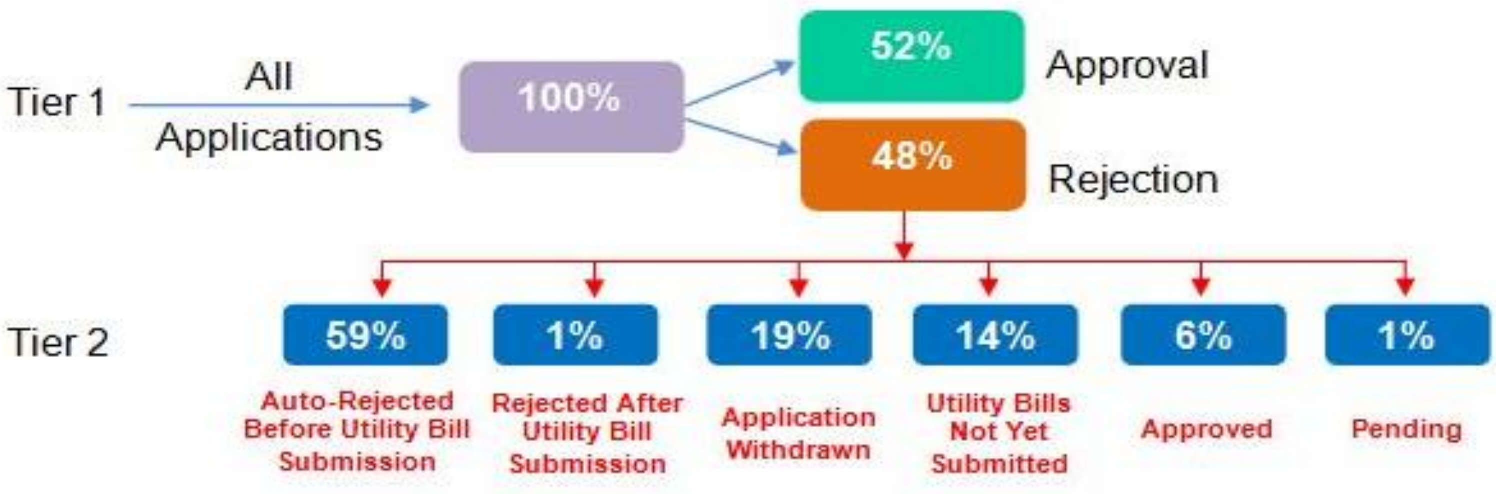
- **Recommendation #1. Make it simple and easy- but not too easy**
  - CEWO's approach of emphasizing "easy" resonated well with customers
  - But the application process shouldn't be too easy to reduce the "tire-kickers" who just want a free test-in.

Recommendation #2. Invest and engage in contractors.

- The most successful programs actually invest in contractor training to ensure that contractors are true allies in program delivery.

Recommendation #3. Financing is the key driver-not energy efficiency.

- There are two distinct types of program participants: proactive and reactive
- New York State developed a tiered approach that matches the loan options to the borrowers' credit history. This approach led to a wider pool of potential applicants,



Recommendation #4. Speak English not energy to customers.

- *Sell Something People Want*
  - People buy for “non energy” improvements
- *Avoid Energy Jargon*
  - Avoid works like retrofit, remodel, audit and residences
  - Use more natural words like home, home improvements and home efficiency instead

Recommendation #5. Minimize “lost opportunities” by offering customers choices.

- Offer alternative loan products to those customers who may not qualify for the utility loan
- This approach, often called bridging, lowers the program’s overall customer acquisition cost while providing attractive options to a wider pool of applicants.

Recommendation #6. Metrics matter.

- It is important to track program metrics to evaluate program progress.
- Critical program metrics are:
  - close rate,
  - test-ins,
  - test-outs, loan disqualification rates,
  - average length of projects should be posted

Conclusion

- Energy financing programs work as long as energy savings isn't the primary focus of the marketing and outreach strategies.

Questions

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