

*Dr. Katherine Johnson, President, Johnson Consulting Group, Frederick, MD,
Phone: 301 461 4865, email: kjohnson@johnsonconsults.com*

*Dr. George Willoughby, Director of Customer Research, Hawaiian Electric Company,
Honolulu, HI, e-mail: george.willoughby@heco.com*

*Michael Volker, Director of Regulatory and Energy Services, Midwest Energy, Hayes, KS,
email: mvolker@mwenergy.com*

KEY WORDS: **On-the-bill financing, energy efficiency, rental market,**

"Show Me the Money — Challenges Facing On-Bill Financing Programs"

On-the-bill financing programs offer a solution to one major barrier in energy efficiency programs: the high up-front initial cost. In fact, many programs could increase participation rates substantially if customers were able to finance the recommended energy efficiency improvements. But the current economic crisis and the tightened credit requirements have severely limited the funds available for customers to finance efficiency improvements in the residential and commercial sectors.

This paper describes several innovative financing tools used by energy efficiency organizations to reduce the upfront cost of energy efficiency. This paper features updates on two successful on-bill financing programs: Midwest Energy's How\$mart Program and Hawaiian Electric Company (HECO) SolarSaver Program. It will also discuss the viability of other types of financing mechanisms currently under consideration in the US.

This paper compares the approaches used by Midwest Energy and Hawaiian Electric. Midwest Energy debuted its How\$mart Program in 2007 to provide renters and landlords a mechanism to pay for a variety of energy efficiency improvements. Full program implementation began in 2008 and has now been expanded to include financing options for commercial customers. Hawaii Electric developed the SolarSaver Pilot Program in 2007 to encourage installations of solar water heaters and has now been operational for two years. It has been so successful, that the program is "oversubscribed" and the pilot program ended a year earlier.

In both programs, the utility provides the upfront capital as a way to encourage the investment in these energy efficiency improvements. This paper discusses the viability as well as the challenges associated with utility-funded financing programs. It will also summarize some of the "lessons learned" during the programs operations and provide guidance to energy organizations considering innovative financing strategies.

Abstract for eceee Summer Study, France 2011