



On Bill Financing: SDG&E / SoCalGas

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OVERVIEW of SDG&E / Southern California Gas



- Covers most of the southern parts of California:
 - 24, 000 square miles
- Over 24 million residents
- 1.4 million electric meters
- 6.65 million gas meters (850k + 5.8 million)

California's Energy Action Plan II



- In 2005, the CPUC and CEC'S EAP II declared:

“[The} goal is for California’s energy to be adequate, affordable, technologically advanced, and environmentally sound...[C]ost effective energy efficiency is the resource of first choice for meeting California’s energy needs. Energy efficiency is the least cost, most reliable, and most environmentally-sensitive resource, and minimizes our contribution to climate change.”
- The Loading Order:
 - Energy Efficiency / Conservation
 - Demand Response
 - Renewables / Distributed Generation
 - Traditional Sources

Long Term Energy Efficiency Strategic Plan (LTEESP):



- The Plan provides a strategic roadmap for integrating energy efficiency efforts to achieve the aggressive goals the State has set for itself.
- Contains a Strategic Vision and Goals for a number of end-use sectors.
- “Big Bold Energy Efficiency Strategies”
 - All residential new construction will be zero net energy by 2020.
 - All commercial new construction will be zero net energy by 2030.
 - HVAC will be transformed to ensure that its energy performance is optimal for California’s climate
 - All eligible low-income customers will be given the opportunity to participate in the LIEE program by 2020.
- First plan and is a work-in-progress.
- www.CaliforniaEnergyEfficiency.com



LTEESP and Financing



- *By 2020, energy intensity (per gross dollar of production value) in the industrial sector will be reduced by 25% from 2008. (Ag 15% for non-renewable energy).*
- *By 2030, 100% of commercial new construction net-zero energy performance; 50% of existing buildings).*
- Financing:
 - Work with the financial community to develop innovative and affordable financing options for energy efficient buildings and retrofits.
 - PACE, OBF, private market, plus



OVERVIEW DSM RESOURCES (\$ million)**

	SoCalGas	SDG&E	SCE	PG&E	total
Low Income	205	63	185	417	870
Solar	n/a	223	996	946	2,165
Demand Response	n/a	52	189	109	350
Energy Efficiency	285	278	1,228	1,338	3,129
total	704	837	2,624	2984	7,149

**LIEE covers 2009-2011

SoCalGas covers 2006-2016, plus 400 million NSHP

DR covers 2009-2011

EE covers 2010-2012

Business Program -- Basics



SDG&E offers three types of non-residential programs:

- Direct Install – certain energy efficient equipment is installed at no cost to qualifying customers
- Rebate - offers a fixed amount per item installed
example - \$6.00 per new energy efficient fluorescent lamp
- Incentive - offers a fixed amount per kWh or Therm saved for installation of qualified energy efficient equipment

example - \$.05 cents per kWh saved for a lighting upgrade

Programs are available to all commercial, industrial and agricultural customers

who pay public goods charge

Benchmarking Requirement



- To receive a direct installation, business rebate or business incentive, your facility must comply with benchmarking requirement
- You or your vendor will use ENERGY STAR® Portfolio Manager, an online service created by the Environmental Protection Agency (EPA), to benchmark your building by tracking your building's energy performance.

Your Benchmarking Score Can Help to:

- ü Prioritize energy investments
- ü Track energy improvements over time

SDG&E Business Programs Review



- Direct Install
- Energy Efficiency Business Rebates
- Energy Efficiency Business Incentives
- Energy Savings Bid
- On-Bill Financing



Commercial Direct Install (DI) Program



- Provides energy efficient products and installation to eligible customers at **no cost**
- Open to all SDG&E qualified small- and medium-size business customers with monthly electrical demand under 100 kilowatts (kW)
- Launched February 1, 2011 and runs through the end of 2012
- SDG&E has selected three contractors to implement the program



Energy Efficiency Business Rebates



Provides rebates to businesses that install qualifying energy efficient upgrades. Rebates are available for:

- § Lighting (including T8 to T8 retrofit)
- § Refrigeration
- § Food Service
- § Natural Gas, and Other Technologies
- § LED Fixtures
- § LED Case Lighting
- § Motors

Qualifying customers and projects may be eligible for interest free financing through On-Bill Financing



Energy Efficiency Business Incentives



- Program offers incentive payments for energy-efficient projects involving the installation of new, high-efficiency equipment or systems – gas or electric
- Incentives are paid based on the amount of documented energy saved. Incentive amounts based on equipment type:
 - § Lighting - \$0.05 per kWh saved and \$100/Peak kW
 - § A/C & Refrigeration - \$0.15 per kWh saved and \$100/Peak kW
 - § Other (motors, fans, etc.) - \$0.09 per kWh saved and \$100/Peak kW
 - § Natural Gas - \$1.00 per Therm

Qualifying customers and projects may be eligible for interest free financing through On-Bill Financing

Energy Efficiency Business Incentives cont.



- Pre- and post inspections are required on all projects.
- Applicants are eligible to receive up to 50% of the cost for each project, for calculated equipment or the incentive amount, whichever is less.
- If a business rebate is available for the same product, we will refer the customer to the business rebate program.
- If Measurement & Verification is required, the customer will receive 60% of the incentive upon installation and the 40% balance after the verification period.

Qualifying customers and projects may be eligible for interest free financing through On-Bill Financing



Energy Savings Bid Program



- Project minimum annual savings must be >500,000 kWh or >25,000 therms
 - § A single large effort (one site, one customer)
 - § Aggregated (multiple sites, multiple customers)
- Incentive amounts for nonresidential energy-saving retrofit projects are standard
 - § Lighting: Interior - \$.10/kWh
 - § Lighting: Exterior - \$.07/kWh
 - § A/C & Refrigeration Compressor Equipment - \$.20/kWh
 - § Compressor VFDs - \$.15/kWh
 - § Other Electrical (Including other A/C & Refrigeration) - \$.10/kWh
 - § Natural Gas - \$1.00/therm
 - § Incentive amount cannot exceed the measure cost



On-Bill Financing



On-Bill Financing (OBF) provides easily accessible, zero percent interest, *on-the-utility bill* financing for purchasing and installing qualified energy efficient equipment. It is targeted to overcome the barriers of capital constraints, administrative and/or time burdens.

Key Design Principles



- **Keep it Simple**
- **Don't want to be a bank!**
- **Minimize Defaults (cost effectiveness)**
- **Compliance with Lending laws**
- **Minimize Defaults!!! (customer satisfaction)**
- **Management Buy-in**

IT/Billing System Design



- **Key issue!**
- **Systems Approaches**
 - **CIS/CISCO/SAP**
- **Policies**
 - **Billing**
 - **Credit & Collections**
- **COST! SCHEDULE!**

Legal and Regulatory Issues



- Lending Laws: State and Federal
 - Federal Truth in Lending Act
 - Equal Credit Opportunity Act
 - Fair Credit Reporting Act
 - and the full panoply of federal and state laws which deal with privacy and the safeguarding of information about consumers.*
 - Department of Corporations Licensing
 - Disclosures
- Regulatory – Rules, Tariffs and Billing...Reporting!
- Credit checks



SDG&E/SCG Program Design/ Overview:



- Businesses only (commercial, industrial, taxpayer-funded, and non-owner occupied MF).
- Customers receive both an OBF loan and a rebate/incentive from an energy efficiency program.
- Energy savings covers the loan installment
- **Zero-percent interest, unsecured, non-transferable**
- Minimum loan \$5,000
Maximum \$100,000 / \$250,000 / \$1,000,000
- Monthly loan payment is included on the utility bill
- Loan Default = Meter shut-off



SDG&E/SCG PROGRAM DESIGN: Current Eligibility/Rules



Project:

- ✓ Must qualify for a utility rebate/incentive program (business programs)
- ✓ Loan term is tied to the payback period: cap of 10 years for *taxpayer-funded*, 5 years for all other businesses (*or useful measure life*).

Credit:

- ✓ Applicant must be a customer of the utility (active account) for at least 24 months in the same business, with at least 12 months of energy usage data at the current location.
- ✓ Applicant's account must be in good standing

Other Requirements:

- ✓ Audit; pre-/post-inspection

OBF Project -- Example



Customer type: Small Restaurant

Equipment Retrofitted: Auto closers, strip curtains,
lighting, ice
machine, ECM motors

- Job Cost = \$23,000
- Rebate Total = \$3,000
- OBF Loan Amount = \$20,000
- Project Payback = 3.90/yr
- Annual kWh savings = 41,000
- **Monthly Energy Savings = \$427.00**
- **Fixed Monthly OBF Payment = \$416.00**



Program Status (thru March 2011):



	<u># of Loans</u>	<u>Amount(\$)</u>	<u>Avg. Loan (\$)</u>
SDG&E: 22,045		663	14,615,693
SoCalGas:	23	851,173	37,008
<i>Defaults:</i>	5	76,988	

Beyond On Bill Financing



Energy Efficiency Finance Study:

- ✓ CPUC Energy Division tasked to engage key actors and secure industry perspectives thru meetings, workshops, or other means to explore additional financing possibilities and oversee preparation of a report recommending the most-promising energy efficiency financing approaches that should be considered in California for underserved segments of energy users.
- ✓ Consumer “gap”
- ✓ Utilities are directed to coordinate any potential market research on financing instrument feasibility or development with the Energy Division effort.



Beyond On Bill Financing (cont)



Utility Coordination with Community Financing Programs:

Utilities are to assist in the development of community financing programs by

- ✓ offering routine information about typical energy improvements, their costs, expected lives, and saving, etc.
- ✓ providing existing consumer-specific documentation from ratepayer-supported energy programs (e.g., information on rebate applications, verification of completed installations, etc).
- ✓ pointing customers to community (or other) nonutility financing programs when these are available



Lessons Learned



- Understanding applicable laws/regulations is key.
- Expect the unexpected! Be nimble with IT and program design.
- Working with contractors is a challenge.
- Manage expectations—OBF is not a panacea!

Getting Started is Easy!



- SoCalGas: www.socalgas.com/business
- Call 1-800-427-6584 (select option 6) or email scgobf@semprautilities.com to contact The Gas Company's On-Bill Financing Program Staff
- SDG&E: www.sdge.com/obf
- Call SDG&E Energy Information Center at 1-800-644-6133 or email sdgeobf@semprautilities.com to inquire about SDG&E's On-Bill Financing program.