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Title: Utility investment vs. consumer loans: Getting to yes on energy efficiency through inclusive financing for all

Abstract: When the California Senate Bill 350 required the California Energy Commission to study barriers to participation in the clean energy economy, the CEC recommended utilities introduce tariffed on-bill investments in energy efficiency that targets low-income customers regardless of credit score or renter status, and that do not pass on a debt obligation to the customer. More than a dozen utilities in six states have already produced results from inclusive financing programs that meet this description using the Pay As You Save (PAYS) system. Despite serving relatively small service areas in largely rural regions, these utilities have deployed more than \$30 million for thousands of cost effective energy efficiency upgrades for customers, regardless of their income, credit score, or renter status. Rather than making loans, the utilities made place-based investments through a service agreement defined in a tariff, and they recovered their costs through a flat charge on the bill that is less than the estimated savings from the upgrades at that location. This utility business model has produced results that diverge from debt-based on-bill financing programs in ways that have compounding effects, including larger eligible population, higher customer participation rates, and deeper savings. Performance data from inclusive financing programs based on PAYS produces a striking picture of consumer choice when faced with options between taking out a loan and accepting an offer of investment with no means test for participation and no debt obligation. Because inclusive financing programs have succeeded even in areas of persistent poverty, the high velocity of investment observed would contradict the notion that certain customer segments are "hard to reach" or "difficult to serve." Instead, inclusive financing programs are generating data that show the customer response is robustly positive when utilities are able to make investments and provide a pathway to ownership for customers based on the cost effectiveness of upgrades at the grid edge rather than the pocketbooks of individual consumers.