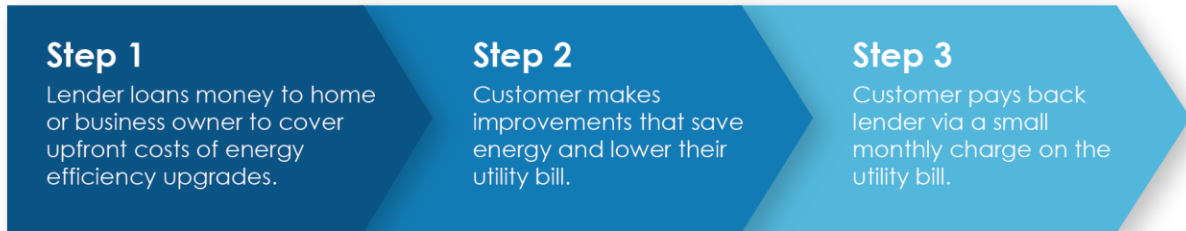


# On-Bill Financing 101

## Helping Homeowners and Businesses Fund Energy Projects

On-bill financing offers a way for utilities to aid customers in financing energy efficiency improvements, such as upgrading HVAC systems, furnaces, lighting or insulation. With on-bill, the utility or a third-party financier acts as the lender and incurs the upfront costs of efficiency upgrades, which is then repaid through the customer's utility bill. Financing may come from federal funds, grants, philanthropic investments, commercial banks or other sources.



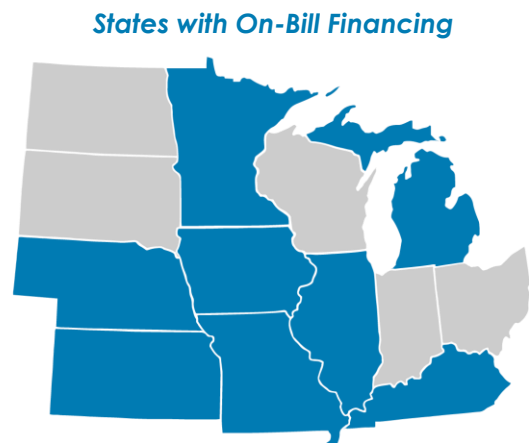
**On-Bill Financing** is an umbrella term for a financing program whereby a charge is added to a customer's utility bill. There are many types of on-bill programs due to the differing utility and regulatory structures among states. The program can be run as a loan, tariff or service agreement and can serve residential or commercial customers. Most programs require bill neutrality, which ensures the on-bill payments are equal to or less than the amount saved from the efficiency upgrades. On-bill financing with bill neutrality helps reduce customers' upfront cost barriers for the improvements while lowering utility bills through reduced energy consumption.

## Programs Across the Midwest

On-bill financing is rapidly increasing in popularity across the nation and within the Midwest. Within MEEA's 13-state territory, there are eight states with active programs, pilot programs or programs in the planning stages.

Michigan's on-bill program was created through legislation that passed in 2016. The legislation supports residential properties with the funding provided by a commercial lender. The first on-bill program within Michigan was created by the City of Holland.

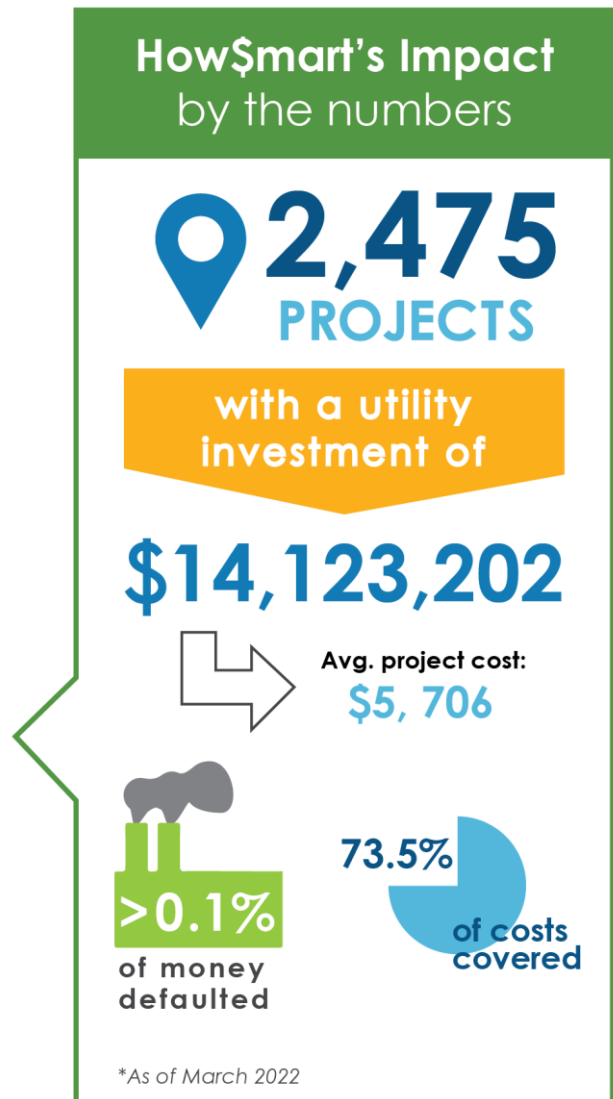
With encouragement from advocates and the state's Office of Public Counsel, the Missouri PSC has asked its investor-owned utilities (IOUs) to offer on-bill financing programs. Now, the state's four IOUs (Ameren Missouri, Spire, Eversource and Liberty Utilities- Empire District) all have approved on-bill financing programs or pilots, making the state a regional leader on energy efficiency financing.



## Pay As You Save<sup>®</sup> Program

There are many different types of on-bill programs throughout the nation, including Pay As You Save<sup>®</sup> (PAYS<sup>®</sup>). The PAYS<sup>®</sup> model is an on-bill program where the loan is paid through a tariffed charge on the utility bill. The financing is attached to the meter, so if the unit sells, the charge and benefits remain for the new owner until all costs are recovered. Unlike other financing programs, PAYS<sup>®</sup> offers some safeguards that end customer payments if an upgrade fails.

There are a number of utilities across the Midwest that use the PAYS<sup>®</sup> program, including several rural electric cooperatives and municipal-owned utilities. One example is the How\$mart program in Kansas. The program allows Midwest Energy utility customers to finance efficiency upgrades through a financing mechanism based on the PAYS<sup>®</sup> concept, in which the charge on the utility bill is less than the projected savings. There has been continued demand for the How\$mart program, and as of March 2022, 2,475 projects have been completed and more than \$14 million has been invested, corresponding to 8.3% of Midwest Energy's customers utilizing this financing model.



### Sources:

[Holland Energy Fund, Eligible Measures List](#)

[Energy Efficiency Institute, What is PAYS](#)

[Energy Efficiency Institute, Status Report for programs based on the Pay As You Save \(PAYS\) system](#)