



Energy Efficiency Retrofit Loan Program

“Off-Bill Financing” for Commercial and Government customers

July 2010



What is the Energy Efficiency Retrofit Loan Program?

A product to assist Government Agency and Commercial customers to fund the construction of energy efficiency retrofit projects that the customer would not otherwise be able to build due to capital constraints. After project completion, PG&E will lend the money for the retrofit and then bill the customer monthly to repay the loan.

What are the features and benefits?

- Convenient application process: No need to obtain separate financing approval
- 0% interest loans, provided after project completion, reduce or eliminate the “first costs” that often hinder energy efficiency retrofits
- Bill Neutrality: The program is designed for the loan charges to be covered by the energy savings

Summary of Terms

Total Loan Pool: \$18,500,000 revolving loan fund for 2010-2012
Use of Proceeds: To fund retrofit projects for Government and Commercial customers

Interest Rate: 0% with no charges, fees, or penalties
Amortization: Monthly payment not to exceed estimated energy savings

	<u>Commercial Customers</u>	<u>Government Customers</u>
<u>Loan Amount:</u>	\$5,000-\$100,000	\$5,000-\$250,000
<u>Loan Term:</u>	60 months	120 months



How are the loan terms calculated?

By the repayment period of the energy efficient equipment to be installed, and:

- Are calculated based on estimated annual energy savings
- Are set so that the monthly loan payment is equal to, or less than, the estimated monthly energy savings, in order to maintain **bill neutrality**

What projects are eligible?

Energy efficiency retrofit projects that qualify for an energy efficiency incentive through the Customized Retrofit Program (CRP) and that generate sufficient energy savings to pay back the loan within the loan term limits. LED Streetlight retrofits are also eligible for OBF funding.

Sample: Government customer project

Project cost	\$200,000
Energy Efficiency Incentives	- \$50,000
Loan Amount	<u>\$150,000</u>
Monthly estimated energy savings from retrofit:	\$3,000
Monthly loan payment set at:	\$3,000
Simple payback period (\$150,000/\$3,000)	50 months

Example: Bill Neutrality

Original monthly utility bill	\$10,000
Monthly estimated energy savings from new equipment	(-) \$3,000
Monthly loan charge	<u>(+) \$3,000</u>
Post retrofit total monthly charges	= \$10,000

The loan terms would be \$3,000/month for 50 months.



What is the process for participation?

1. Customer works with PG&E Account Representative to complete and submit the *CRP/NRR Incentive application* and the *Financing Supplement to the Customized Retrofit Program Application*.

2. Customer and project eligibility are confirmed by PG&E.

3. PG&E completes a pre-field inspection of the existing equipment at the project site, does initial calculation of loan terms and project savings and creates Loan Agreement.

4. PG&E Account Representative delivers Loan Agreement to customer.

5. Loan Agreement is signed by customer and returned to PG&E.

6. PG&E Account Representative gives customer the OK to install project.

7. Customer installs energy efficiency measures and lets PG&E know of any changes to the scope or cost. Customer informs PG&E of project completion.

8. PG&E conducts a post-field verification of the project. If the project cost, scope, rebate/incentives or energy savings have changed, PG&E completes Loan Modification Agreement for customer signature.

9. PG&E issues the loan check to the customer.

10. Customer begins receiving loan installment bill through separate invoice.



FAQ

Why is the Energy Efficiency Retrofit Loan Program also referred to as “on-bill” or “off-bill” financing?

The term “on-bill” refers to the process of billing the customer for a loan charge through, or “on,” the customer’s regular utility bill. Although the monthly loan charges for this program will be initially sent via a separate bill, they will be transitioned to the normal PG&E bill in Q3 2011.

When will I get the loan money?

To be consistent with other utility financing programs in California, loan funds are issued to the customer **after** the energy efficiency retrofit project has been completed and inspected. Consequently, before the loan is issued, some funding “float” may be required of the contractor or the customer, depending on their contractual agreement.

What if I move to a new location?

If you have a loan through OBF and you move to a new location, your loan must be paid in full on your final bill. Payment arrangements may be made when opening your new account.

Can I install the equipment myself?

Yes – you will need to submit a detailed invoice with all costs to be funded, which must follow the Customized Retrofit Program/NRR guidelines.

Will the Energy Efficiency Retrofit Loan Affect the Measure Incentive Amount?

No, while the incentive amount may change subject to the rules and conditions of the CRP program, the incentive amount will not be reduced for participating in the loan program.



FAQ

Can I pay the loan off early?

The customer may, without prepayment penalty, pay the entire outstanding loan balance in one lump sum payment provided the customer first notifies PG&E, in accordance with the OBF Loan Agreement, and obtains PG&E's approval in advance of making the lump sum payment.

Can a loan be denied, or altered, after an initial loan agreement has been signed?

Yes, if:

- 1) a customer's credit rating has changed
- 2) the total loan amount has increased and the loan payment period falls outside the established loan term limits

How is the loan repaid?

Customers will be billed for loan installments through an invoice that is separate from the monthly energy statement.

Following the completion of billing system modifications in Q3 2011, loans will be billed through the regular energy statement

What if a customer makes a partial payment?

Partial or non-payment of loans could result in shut-off of a customer's utility service and the outstanding debt being turned over for collection, subject to the discontinuance provisions of gas and electric Rule 11

What if a customer defaults on the loan?

Customers who default will be subject to discontinuance of service and will be ineligible to participate in financing programs in the future. PG&E will report defaults to the appropriate credit rating agencies