

June 2017

# Opening Opportunities with Inclusive Financing for Energy Efficiency:

Report on the first year of the HELP PAYS<sup>®</sup> Program  
at Ouachita Electric



Ouachita Electric  
Cooperative





# Key Findings: HELP PAYS® Inclusive Financing vs. HELP Loan

Ouachita Electric Cooperative transitioned from its previous, nationally recognized HELP loan program to its HELP PAYS® tariffed on-bill investment program in order to benefit more of its members, and to increase the benefits it could deliver to participants. With this analysis of data for the first nine months of the program launched in 2016, some of those benefits are being validated immediately by the market response in the service area compared to the same period of the prior year with HELP, the on-bill loan program that HELP PAYS replaced.

## 1. Participation tripled:

During the period April 1, 2015 – December 31, 2015, the HELP program in the utility's service area served 70 members, all owners of single family homes. Over the same period during 2016, HELP PAYS® offers to invest in efficiency upgrades were sought and accepted by 118 single family homes, 82 units of multifamily housing, and two commercial customers – approximately triple the number of participants. Two thirds of these projects were completed in 2016; the remaining one third were still in process at the end of 2016.

## 2. Immediate net savings:

HELP PAYS® participants benefit from positive cash flow by keeping at least 20% of the estimated savings – compared to an average of zero immediate net savings in HELP, a bill neutral loan program. Among residential participants, the average estimated net savings were greater than \$100 per year.

## 3. Renters say yes:

In the HELP PAYS® program, more than one third of the participants in the first quarter were renters, customers who had been ineligible to participate in the HELP loan program. Their landlords readily supported the program, agreeing to pay copayments, if needed, in order to qualify upgrades to meet the program's threshold for cost effectiveness.

## 4. Average investment doubled:

The average size of the 70 single family HELP loan projects completed during the same period of 2015 was near \$2,280. In 2016, average investment financed through the HELP PAYS® program more than doubled to \$5,600.

## 5. Total investment tripled:

During the same period in 2015, the HELP loan program in the utility's service area financed approximately \$500,000 in upgrades to residential properties. With the HELP PAYS program, approved investments surged by more than a factor of 3 to exceed \$1.5 million—including \$500,000 for two commercial customers, a college and a municipality.

# Ouachita Electric HELP PAYS® Program

## Summary of Investment Activity

April 1 – December 31, 2016

### Executive Summary

Ouachita Electric worked with its program operator, EEtility, to field interest in program participation from 251 customers, all of whom are member-owners of the cooperative. Ouachita Electric serves areas of persistent poverty in southern Arkansas, yet the design of this program does not depend upon income verification of participants. Through the HELP PAYS® investment program, Ouachita Electric has been able to finance upgrades in multi-family housing for the first time, and renters accounted for more than one third of the participants.

EEtility identified investment opportunities in 90% of the 247 sites that were assessed, and 91% of those customers accepted the offer of investment, including approximately 1/3 of those customers for whom the investment was conditional on a copayment. Among the renters in multi-family housing, 100% of those receiving HELP PAYS® offers accepted the investment on the terms of the opt-in tariff, and the landlords agreed to pay for 100% of the copayments associated with those units where copays were required.

By the end of 2016, the total value of approved HELP PAYS investments in the first nine months of the program accounted for more than \$1.5 million, and the cost of capital applied by the utility was 4.5%. Multi-family housing represented nearly 30% of that total, and the rest was split between single family residential and two commercial projects (at a municipal building and a college campus). The average investment by the utility in efficiency upgrades to participating single-family housing was \$5,642, and the average for multi-family housing units was \$5,844. Including utility sponsorship of the assessments as well as copayments elected by the customer, full project costs are on average \$6,156 for single-family housing, and the average for multi-family housing units was \$6,366.

The average age of the homes upgraded in 2016 through HELP PAYS was above 40 years old which is typical of the Ouachita service area. This housing stock includes very energy inefficient homes or apartments. The estimated average annual energy savings are based on engineering calculations informed by direct site measurements and calibrated for each site with historical bill data. For single family upgrades, the estimated annual energy savings was above 30% and for multi-family housing, the average was more than 35%.

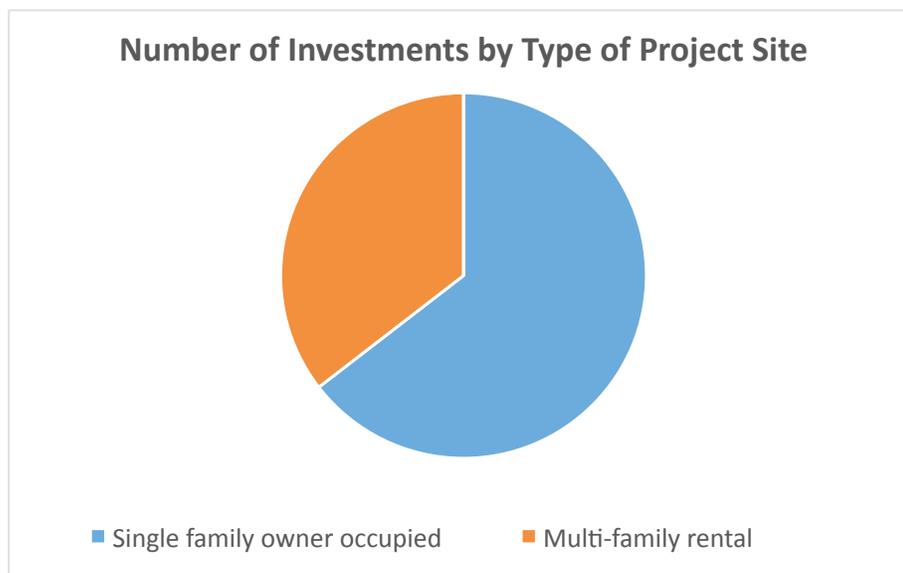
HELP PAYS® assures cost recovery for the utility through a fixed charge on a participant's bill called a Program Service Charge, which is capped at 80% of the estimated savings within 80% of the useful life of the upgrades, assuming no escalation in rates. As a result, the portion of the estimated monthly net savings that a participant keeps as immediate net savings is 20% or higher, and the HELP PAYS portfolio developed in the first nine months of the program exceeded that target.

# 1. Distribution of Interested Participants by Type of Project Site

All of these program performance figures substantially exceeded similar metrics for the HELP loan program during the same period for the prior year.

The HELP PAYS® program completed 241 assessments of cost effective energy efficiency upgrade opportunities in buildings served by the utility.

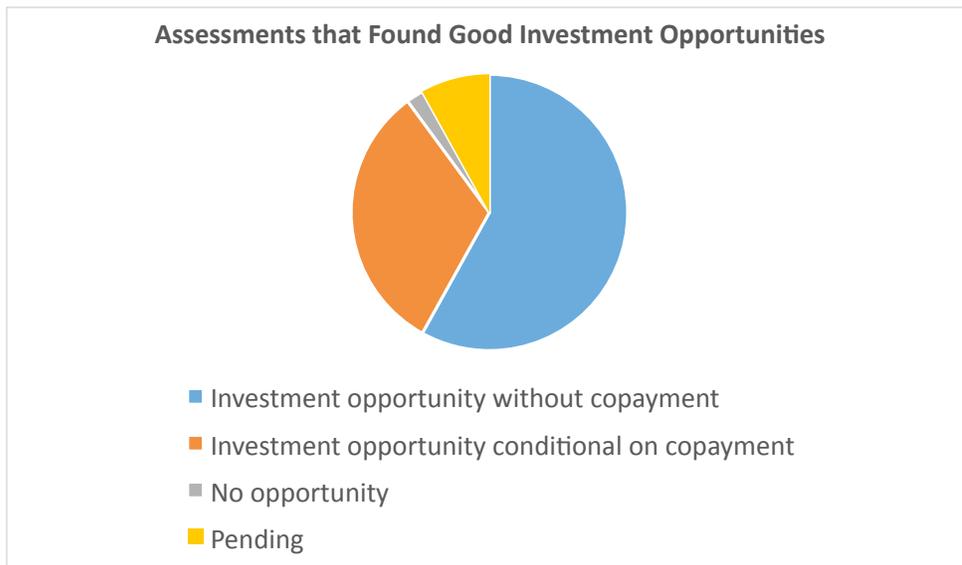
Of the 241 assessments, 157 (65%) were for single family properties, 82 (34%) were multi-family properties and 2 (1%) were commercial properties. All 82 multi-family units were either in buildings with 4 units or were adjoining single-story units sharing one roof.



# 2. Results of Assessments of Sites for Cost Effective Upgrades

Among the single family properties, all but seven were owner occupied. Among the multi-family properties, 100% were rental units. Both commercial properties were owner occupied. The PAYS system requires that upgrades be cost effective even after capping the cost recovery charge to 80% of the estimated savings (based on current rates) within 80% of the useful life of the upgrades, assuming no escalation in rates. This assurance provides an assurance of net savings to the program participant. If the upgrades would not meet that threshold, the PAYS system provides an option for a customer to make a copayment upfront in order to assure that the investment will meet the PAYS standard for consumer protection, immediately providing the customer with 20% of the estimated savings.

Out of the 241 assessments, EEtility identified investment opportunities at 223 sites, including 144 (60%) that met the requirements of the PAYS system for cost effectiveness (no copayment) and 79



(33%) that were conditional upon a copayment.

## Results of Assessments Summarized by Market Segment

Out of the assessments at 157 single family properties, EEtility did not recommend investing at 18 sites due to multiple factors.<sup>2</sup> Investment opportunities were identified at 139 of the 157 sites (88%), including 78 (56%) that met the offer requirements of the PAYS system for cost effectiveness and 61 (44%) that were conditional on copayments.

Investment opportunities were identified at all of the multi-family housing units in the service area, 82 units at three properties, including 65 investments (79%) that met the offer requirements of the PAYS system for cost effectiveness and 17 (20%) that were conditional on copayments by the property owners (landlords).

Investment opportunities were identified at both of the commercial properties, a school and a municipal building. The investment package at one of those sites was conditional on a copayment.

<sup>2</sup> One person died, one moved. These sites can be revisited in the future. One person was only interested in geothermal, which had approximately a 45 year payback. At the remaining 7 sites, the assessment found that the homes already had good energy performance, with only minor upgrades penciling out with minimal savings that would not justify professional installation. The program operator encouraged those customers to undertake these projects independently.

### 3. Acceptance of HELP PAYS® Offers to Invest in Efficiency Upgrades

Overall, 202 of 223 (90%) HELP PAYS® offers were accepted.

#### Offer Responses Summarized by Market Segment

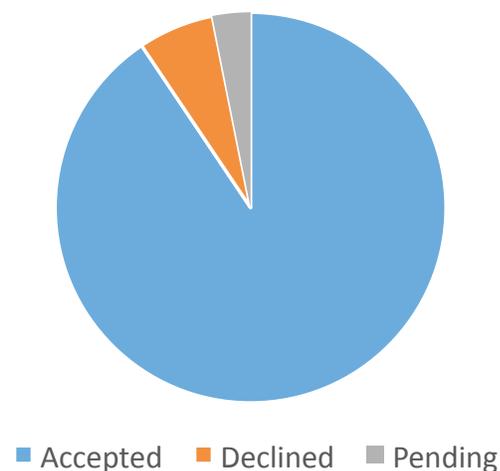
Of the offers to invest at 139 single family projects in 2016, 118 (85%) accepted the HELP PAYS® offer, including 72 of the 78 (92%) offers with no copayment needed and 46 of the 61 offers (75%) that were conditional on copays.<sup>3</sup>

Out of the offers to invest in upgrades to 82 units in three multifamily properties, 82 (100%) accepted the HELP PAYS® offer. Each property owner approved all of the upgrades, and they agreed to make the copayments needed for upgrades at 17 units so that these units would meet the requirements of the PAYS system for cost effectiveness.

Of the two commercial customers that received HELP PAYS® offers, both (100%) accepted, including the one that was conditional on a copayment.

Out of the 144 sites across all property types that received a bona fide PAYS offer (no copayment), 138 (96%) were accepted. Out of 79 offers to invest that were conditional on copayments, 64 (81%) were accepted.

Acceptance Rate of HELP PAYS Offers



<sup>3</sup> Most customers who declined preferred to install the upgrades themselves.

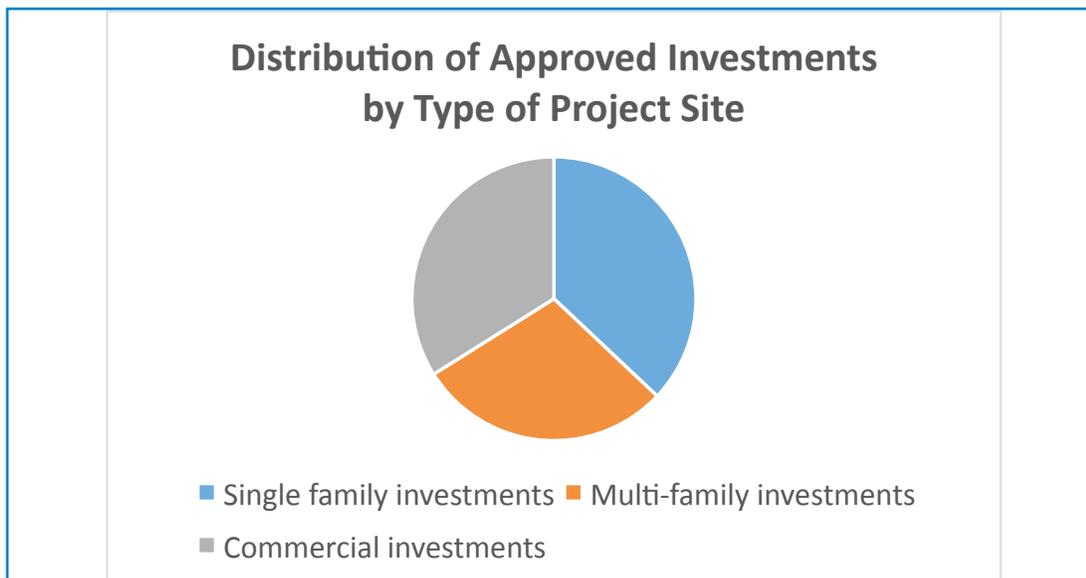
## 4. HELP PAYS® Total Investments Approved in 2016

### a. Distribution of Investments by Type of Project Site

Of the 202 offers accepted, 118 were single family, 82 were multi-family, and 2 were commercial. This data reflects only projects completed in 2016.

The cost of capital the applied to all investments financed through the program was 4.5%.

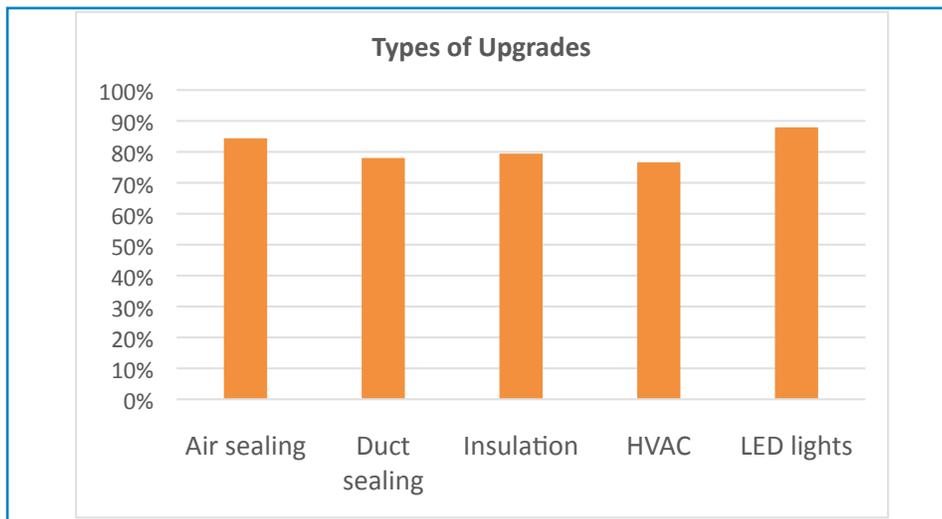
Single Family	\$603,704
Multi Family	\$473,344
Commercial	\$552,981
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Total	\$1,630,029



## 5. Types of Upgrades, across all locations

The HELP PAYS® program evaluates five common types of building energy efficiency upgrades, and each of them was included in the majority of the investment packages. The most common upgrade type was installation of duct sealing, occurring in 88% of sites where upgrades occurred. LED lighting was the next most common upgrade, occurring at 84% of sites where upgrades occurred.

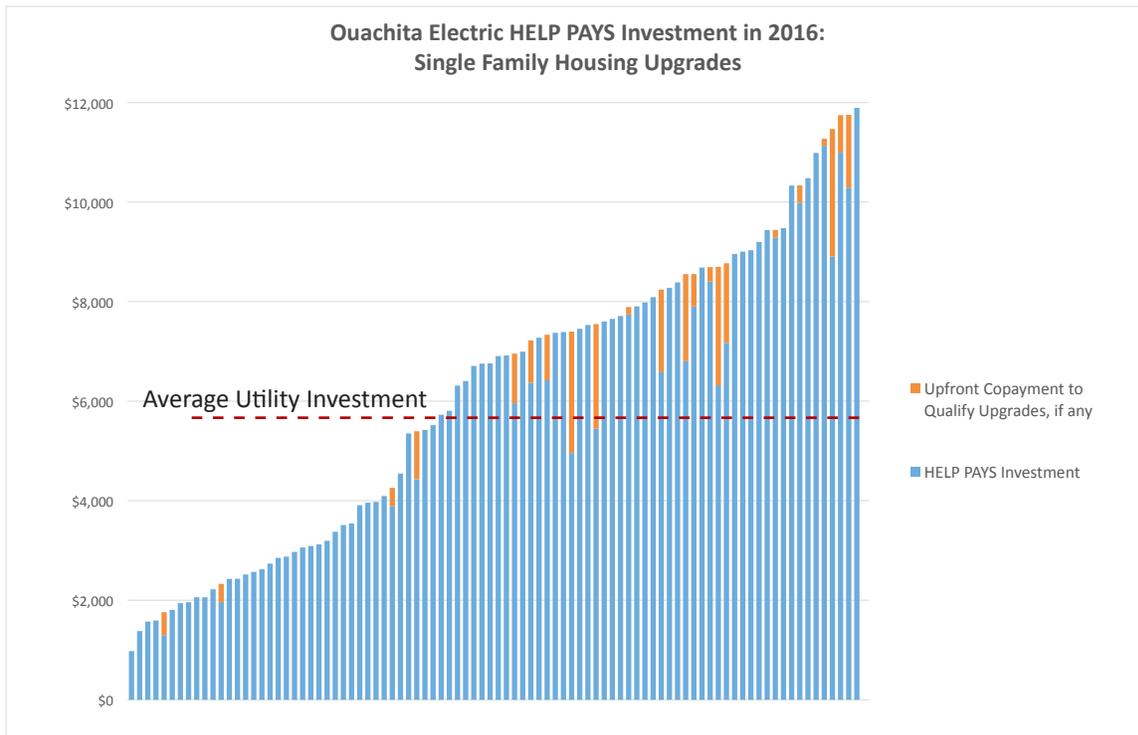
LED light bulbs	84%
Air Sealing	78%
Attic Insulation	79%
HVAC	77%
Duct Sealing	88%



## 6. Projects Completed in 2016

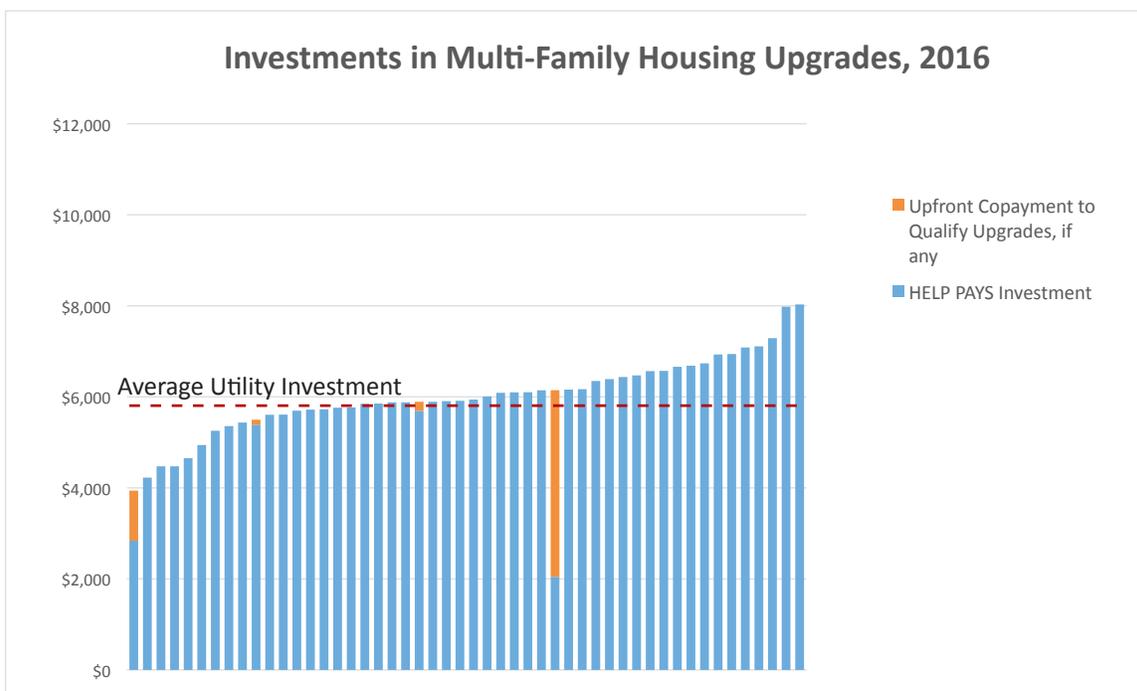
### a. Single Family

Number of investments:	91
Average utility investment:	\$5,945
Sites requiring a copayment:	22
Average copay, for 21 homes with a copay:	\$1,062



## b. Multi Family

Number of investments:	50
Average utility investment:	\$5,895
Apartments requiring copayment (paid by landlord):	4
Average copays for apartments requiring copays	\$1,378
<i>* All copays paid for by landlords</i>	



## c. Commercial

One municipal project:

City of Hampton

Project investment: above \$20,000  
Copayment: above \$2,000  
Upgrades included: All five upgrade types

One university campus project:

Southern Arkansas Technical University

Project investment: above \$500,000  
Upgrades included: Lighting only

*Portions of both projects were pending completion at the end of 2016.*

## 7. Estimated Energy Savings

The HELP PAYS® program is primarily serving Ouachita members living in homes built nearly 50 years ago that have not been previously upgraded for energy efficiency. In general, the housing stock is characterized by very energy inefficient homes/apartments, and the results of the program reflect those conditions.

Annual savings are estimated based on the engineering calculations from individual on-site building analyses. These savings are recalibrated after each project is “tested out” using post upgrade air and duct sealing test results and visual insulation and HVAC Quality Control inspections. Ouachita Electric further verifies each project’s performance using weather normalized smart meter data.

The average estimated annual savings for both single-family and multi-family participants was above 30%, with a wide range that reflects variation in the quality of the housing stock. Two commercial customers participated: The City of Hampton and Southern Arkansas Technical University. Both projects have average estimated annual energy savings above 25% for the projects scoped. For the university, the project scope was lighting only.

## 8. Estimated Monthly Savings and Cost Recovery

For the customers that are dual fuel, the estimated monthly savings include both gas and electric savings. The estimated monthly savings are based on current rates over the useful life of the upgrades, a condition that is specified in the HELP PAYS® tariff.

As defined in the HELP PAYS® tariff established by Ouachita Electric, the Program Service Charge is the cost recovery charge included on the monthly utility bill until the utility's costs are recovered. The charge is capped at 80% of the average estimated monthly savings based on current rates and a cost recovery period that is capped at 80% of the useful life of the upgrade package.

### a. Residential

Average Estimated Monthly Energy Bill Savings	\$68.00
Average Monthly Program Service Charge	\$54.00
Average Monthly Estimated Net Savings	\$14.00
Average Monthly Estimated Net Savings (%)	20%
Average Cost Recovery Period	12 years

### b. Commercial

Average statistics for a sample size of two will not yield meaningful results. The estimated annual savings for the municipal building project is above \$2,000. The estimated annual energy savings for the lighting upgrade on the college campus is above \$90,000. The cost recovery period for the municipal building is 12 years, whereas the lighting project at the university campus has a cost recovery period of 10 years.

## 9. Looking Ahead

Even with more than a million dollars invested, we have only just begun. We are already considering ways to expand the application of our program. For example, our market conditions reward investments in demand response capabilities, so we will study the data from our smart meters to better understand the benefits of demand savings we are achieving with our investments. We are also exploring our opportunity to finance deployment of smart thermostats to add flexibility to our system.

We will seek opportunities to share our experiences and to gain insight from other utilities with similar programs. We have called on the assistance of cooperatives with similar programs, including Roanoke Electric in North Carolina, and we have benefited from the expertise of our own generation and transmission cooperative, Arkansas Electric. With that same spirit, we look forward to engaging more cooperatives interested in offering an inclusive financing solution to their members as well.

We are continuing to learn as we gain experience with program implementation. For example, one single family customer account name changed due to a property sale, and the buyer was notified at the time of purchase. In addition, we found that the customers served at 28 multifamily apartments had changed within the first year, and they received disclosure from their landlords consistent with the agreement. Some aspects of our program will require a full year of data to begin assessing, and we will continue to make adjustments.

Contractors that participate in the HELP PAYS program are expanding their workforce as the scale of investment grows. Future reports will include information on the jobs supported by the program as well as the program's approach to continuous workforce development to support quality assurance and opportunities for advancement.

We are proud to have joined Calhoun County as a contender for the national Georgetown University Energy Prize as the only rural community among the finalists. We will continue to work with partners to achieve deep energy savings while creating value for all members and fueling local economic development.

For more information and updates about our work, please visit us online at:  
[www.oecc.com/help](http://www.oecc.com/help)

## Acknowledgements

We thank Resource Media for developing the graphic design for this report. Cover photos were taken by staff at Ouachita Electric and Arkansas Electric Cooperative Corporation, which also produced a video that has helped us share the experience of offering inclusive financing to our members.