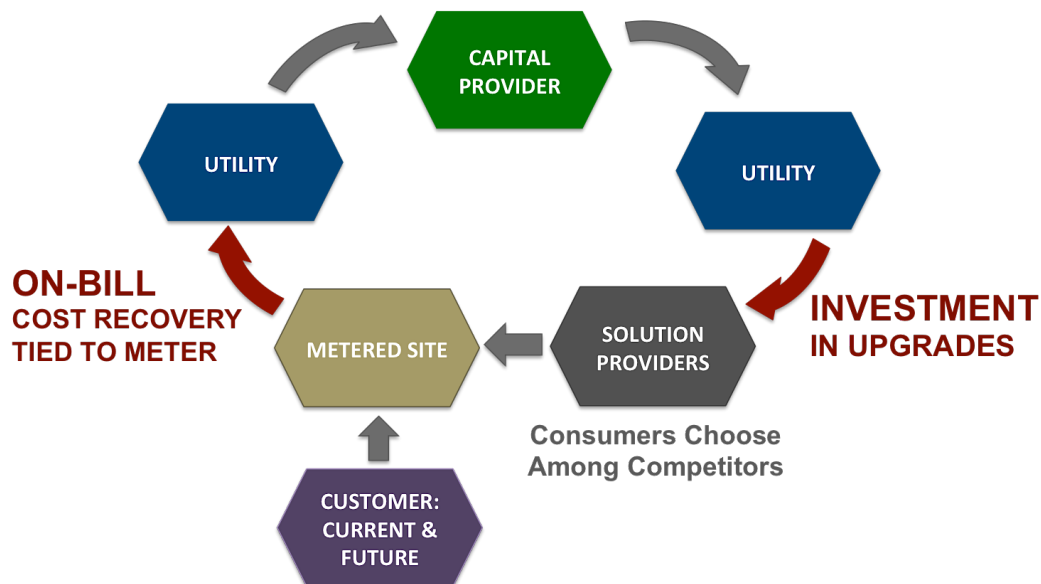


Performance of Inclusive Financing for Energy Efficiency: Preliminary Results of the Ouachita Electric HELP PAYS® Program September 2016

Earlier this year, the Arkansas Public Service Commission voted *unanimously* to approve an opt-in tariff for cost effective energy efficiency investments at the request of Ouachita Electric Cooperative.¹ Within 45 days, the utility switched from offering loans for energy efficiency to *offering* inclusive financing called HELP PAYS®, a tariffed on-bill program based on the Pay As You Save® (PAYS®) system.

With HELP PAYS, the utility can *serve all customers, regardless of income, credit score, and renter status*. The tariffed terms provide immediate net savings for the customer with no new debt obligation, and it assures the utility a low risk path to cost recovery with a charge on the bill that is less than the estimated savings from the upgrades. The utility assures the upgrades continue to function throughout the period of cost recovery, and once cost recovery is complete, all upgrades belong to the owner.

PAYS offers all utility customers the option to access cost effective energy upgrades using a proven investment and cost recovery model that benefits both the customer and utility.



Pay As You Save® and PAYS® are registered trademarks of Energy Efficiency Institute, Inc.

¹ Commissions in Kansas, Kentucky, Hawaii, and New Hampshire along with utility oversight boards in California and North Carolina have approved similar tariffs also based on the Pay As You Save® (PAYS®) system.

Ouachita Electric HELP PAYS[®] Program

Summary of Investment Activity April 1 – July 31, 2016

Executive Summary

Ouachita Electric worked with its program operator, EEtility, to field interest in program participation from 149 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 was able to finance upgrades in multi-family housing for the first time, and renters accounted for nearly half of the participants.

EEtility identified investment opportunities in 93% of the sites, and 95% of those customers accepted the offer of investment, including the 24% 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.

The total investment exceeded \$1.5 million in the first four months of the program, and the cost of capital applied by the utility was 4.5%. Two commercial projects (at a municipal building and a college campus) accounted for one third of the portfolio, and the rest was split between single family and multi-family residential. The average investment in efficiency upgrades to participating single-family housing was \$6,387, and the average for multi-family housing units was \$6,023.

Ouachita Electric serves an area where many people are living in homes built nearly 50 years ago that have not been previously upgraded for energy efficiency. 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. 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 four months of the program exceeded that target.

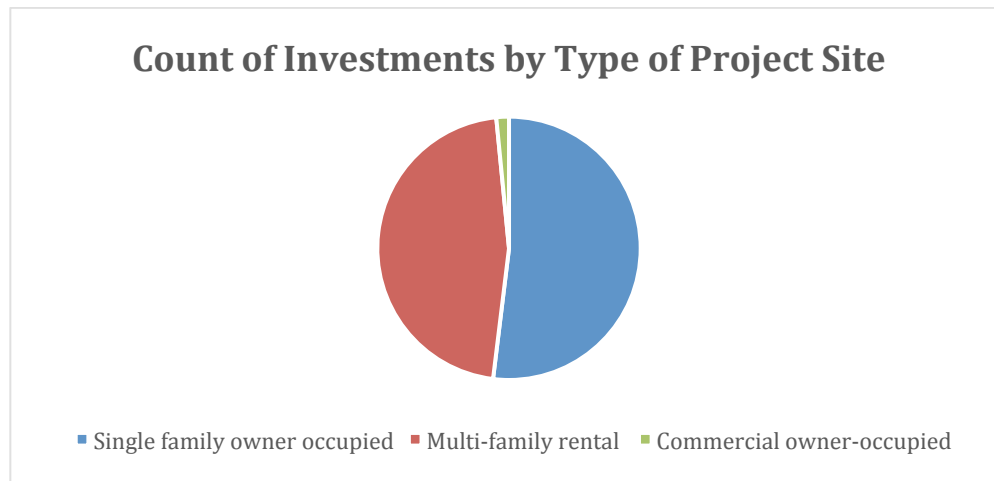
All of these program performance figures substantially exceeded similar metrics for the HELP loan program during the same period for the prior year.

1. Distribution of Interested Participants by Type of Project Site

The HELP PAYS® program completed 149 assessments of cost effective energy efficiency upgrade opportunities in buildings served by the utility.

Of the 149 assessments, 85 (57%) were for-single family properties, 62 (42%) were multi-family properties and 2 (1%) were commercial properties.

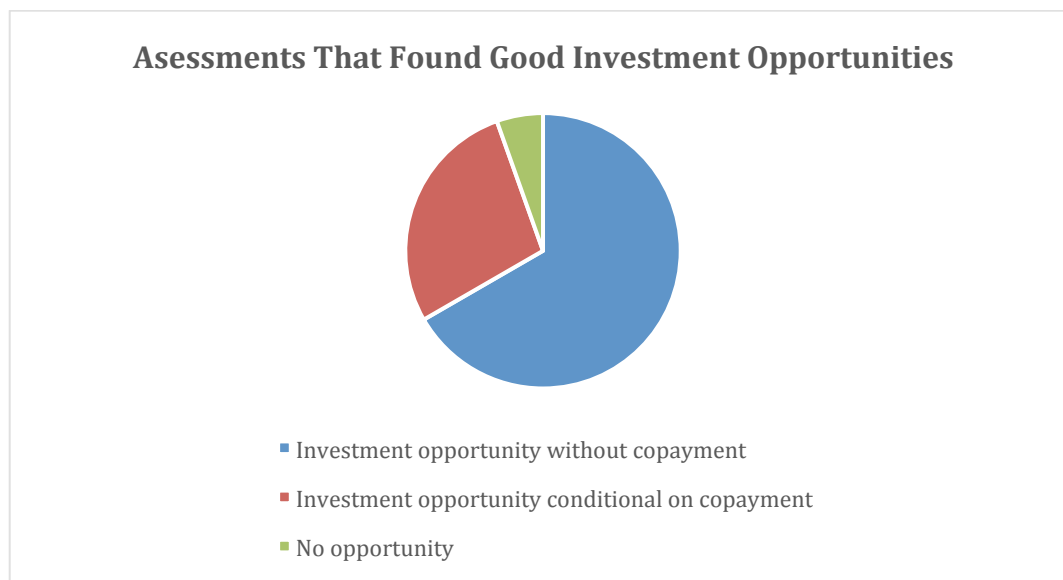
Among the single family properties, 100% were owner occupied. Among the multi-family properties, 100% were rental units. Both commercial properties were owner occupied.



2. Results of Assessments of Sites for Cost Effective Upgrades

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 149 assessments, EEtility identified investment opportunities at 139 sites, including 103 (69%) that met the requirements of the PAYS® system for cost effectiveness (no copayment) and 36 (24%) that were conditional upon a copayment. Ten (7%) sites did not have suitable investment opportunities.



Results of Assessments Summarized by Market Segment

Out of the assessments at 85 single family properties, EEtility did not recommend investing at 10 sites due to multiple factors.² Investment opportunities were identified at 75 of the 85 sites (88%), including 54 (63%) that met the offer requirements of the PAYS system for cost effectiveness and 21 (25%) that were conditional on copayments.

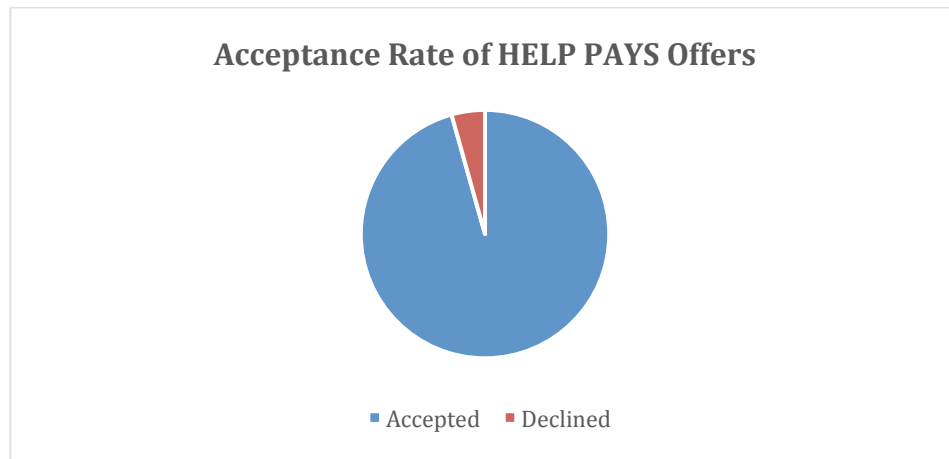
Investment opportunities were identified at all 62 of the multi-family housing units at two properties, including 49 investments (79%) that met the offer requirements of the PAYS system for cost effectiveness and 13 (21%) that were conditional on copayments by the property owners (landlords).

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.

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

Overall, 133 of 139 (96%) HELP PAYS® offers were accepted.

² 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 other 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.



Offer Responses Summarized by Market Segment

Of the offers to invest at 75 single family projects, 69 (92%) accepted the HELP PAYS® offer, including 48 of the 51 (94%) offers with no copayment needed and 21 of the 24 offers (87%) that were conditional on copays.³

Out of the offers to invest in upgrades to 62 units in two multifamily properties, 62 (100%) accepted the HELP PAYS® offer. Both property owners approved all of the upgrades, and they agreed to make the copayments needed for upgrades at 12 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 102 sites across all property types that received a bona fide PAYS offer (no copayment), 99 (97%) were accepted. Out of 36 offers to invest that were conditional on copayments, 33 (92%) were accepted.

4. HELP PAYS® Total Investments to Date

a. Distribution of investments by Type of Project Site

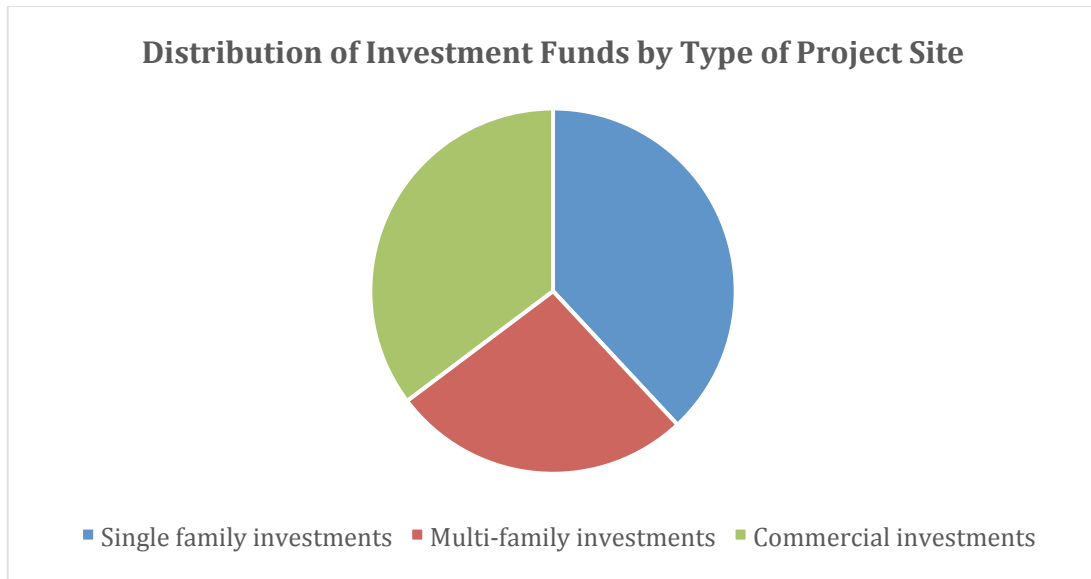
Of the 133 offers accepted, 69 were single family, 62 were multi-family, and 2 were commercial. The cost of capital the applied to all investments in the program was 4.5%.

³ Of the 6 single family customers who declined the offer, 2 stated they were skeptical and 4 indicated they preferred to install the upgrades themselves.

Summary of Investment Activity in the Ouachita Electric Cooperative HELP PAYS® Program

Approximately one third of the total dollar amounts went to each type of project site.

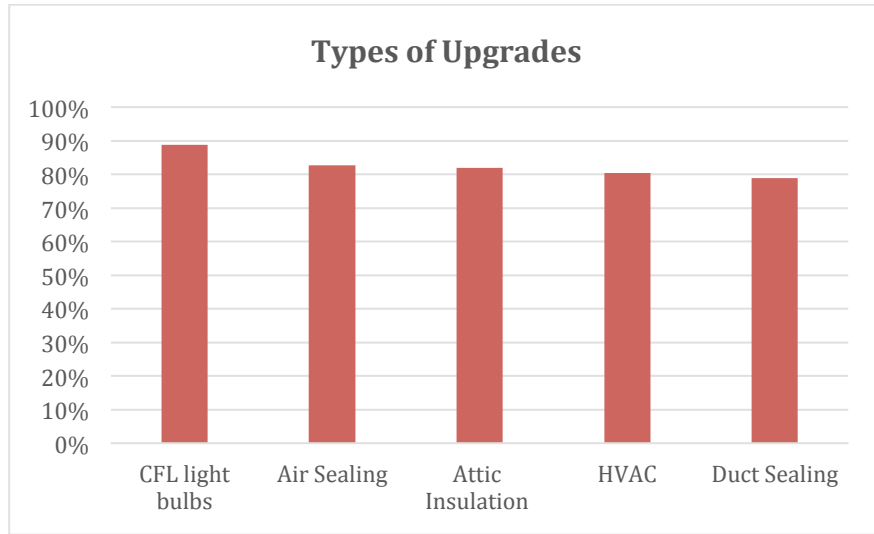
Single Family	\$596,912
Multi Family	\$418,289
Commercial	\$552,981
<hr/>	
Total	\$1,568,182



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 LED lightbulbs, occurring in 89% of sites where upgrades occurred. Air sealing was the next most common upgrade, occurring at 83% of sites where upgrades occurred.

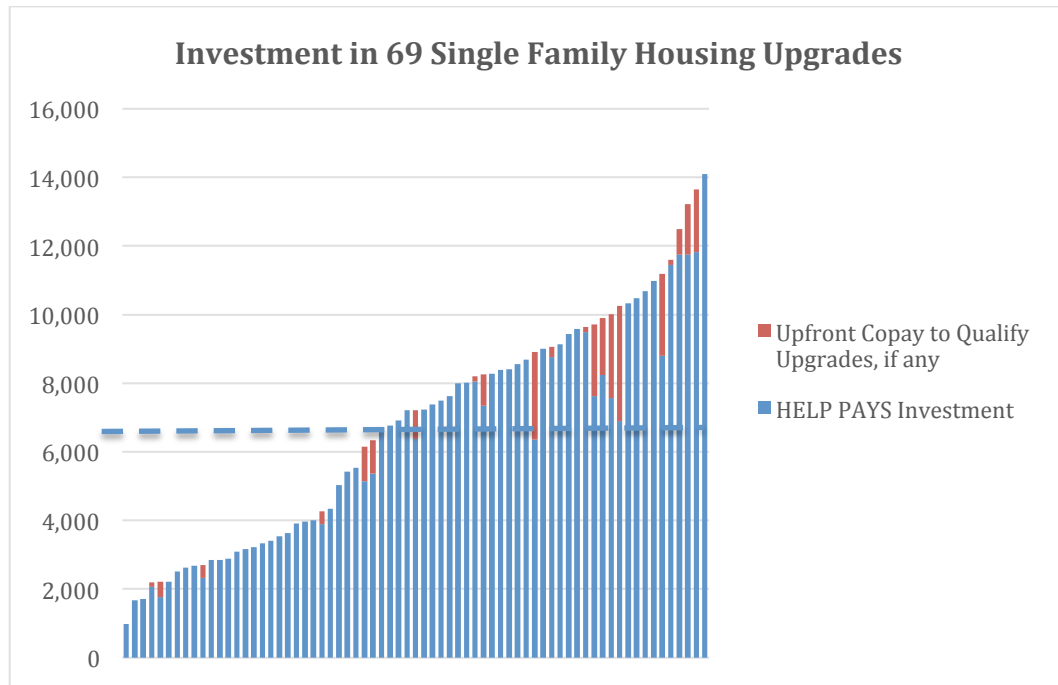
LED light bulbs	89%
Air Sealing	83%
Attic Insulation	82%
HVAC	80%
Duct Sealing	79%



6. Project Size and Utility Investment

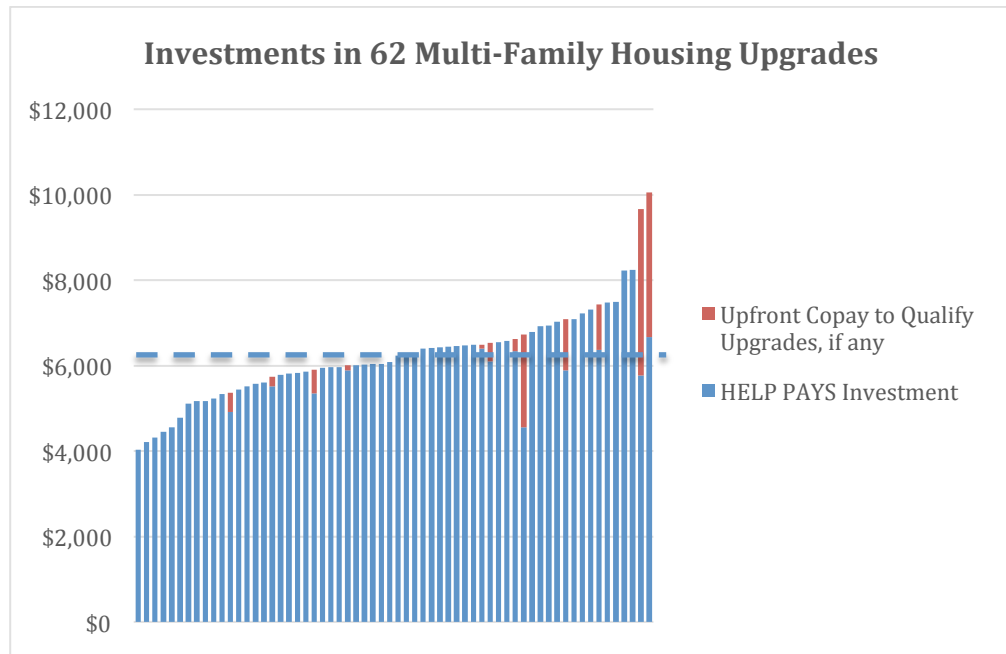
a. Single Family

Average Utility Investment:	\$6,387
Sites requiring a Copayment:	20
Percent with a Copayment:	30%
Average Copay, for 21 homes with a copay:	\$1,158



b. Multi Family

Average Utility Investment:	\$6023
Apartments requiring copayment (paid by landlord):	12
Percent apartments with a copayment:	19%
Average Copay for 12 apartments requiring copays	\$1,155
<i>* All Copays paid for by landlords</i>	



c. Commercial

One municipal project:

<u>City of Hampton</u>	
Project investment:	\$23,479
Copayment:	\$2,475
Upgrades included:	All five upgrade types

One university campus project:

<u>Southern Arkansas Technical University</u>	
Project investment:	\$529,521
Upgrades included:	Lighting only

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. Comparison with HELP Loan Program for Same Period of Prior Year

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 preliminary analysis of data for the first four months of the program, some of those benefits are being validated immediately by the market response compared to the same four months of the prior year with the HELP program.

1. **Increased Participation:** In the same period (April 1, 2015 – July 31, 2015) the HELP program served 46 members, all owners of single family homes. In the same period, HELP PAYS® served 69 single family homes, 62 units of multifamily housing, and two commercial customers – approximately triple the number of participants.
2. **Immediate Net Savings:** All HELP PAYS® participants benefit from immediate 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.
3. **Renters:** In the HELP PAYS® program, renters accounted for 47% of the participants in its first quarter, customers who were ineligible to participate in the HELP loan program. Their landlords readily supported the program, agreeing to pay copayments required to qualify upgrades if needed. 100% of the renters accepted the offers they received by opting into the tariff.

Summary of Investment Activity in the Ouachita Electric Cooperative HELP PAYS® Program

4. **Average investment:** In the same period during 2015, the average size of the 46 single family HELP loan project was \$2,533. In the same period, the average investment in the HELP PAYS program more than doubled.
5. **Scale of total investment:** During the same period in 2015, the HELP loan program produced investments in energy efficiency of \$116,538. With the HELP PAYS program, investment surged by more than a factor of 10 to \$1,568,182.