

Energy Policy Draft – Don Davis

Submitted to staff liaison on 8/1/19

~~1.2.4 FINANCING EFFICIENCY AND LIVEABILITY PROJECTS – DON~~

~~When fiscally possible and justified the City will provide opportunities for financing of efficiency upgrades for qualified residents and businesses through financing opportunities through property assessed clean energy “PACE” programs, financing through the utility billing system, partnership through appropriate private programs and/or other strategies to incentivize efficiency throughout the GRU service district~~

On-bill financing (OBF). The utility is the lender in an OBF program. Ratepayer funds collected for energy efficiency programs are the most common funding source, but utility shareholder funds can also be used. In some contexts, *on-bill financing* has become an umbrella term for any financing program that includes charges on a utility bill, including on-bill repayment and tariffed on-bill. However, for our purposes here, *on-bill* is used as the umbrella term, while *on-bill financing* (or OBF) is restricted to programs in which the utility is the lender.

On-bill repayment (OBR). In OBR, the capital provider is a third party, and the utility operates as a repayment conduit for that third-party capital provider. A utility may opt to use its own funds to offer administrative support or credit enhancements.

Tariffed on-bill (TOB). In a TOB program, efficiency upgrades are financed not through a loan, but rather through a utility offer that pays for upgrades under the terms of a new, additional tariff. This tariff includes a cost recovery charge on the bill that is less than the estimated savings. The on-bill charge is associated with the meter at the address of the property or facility where upgrades are installed, and the cost recovery charge is treated as equal to other utility charges on the bill.

Other useful definitions include the following:

Alternative underwriting standards. These standards use measures of creditworthiness—such as the history of utility bill repayment—as an alternative to actual credit scores (e.g., FICO).

Disconnection for nonpayment. The utility’s ability to shut off service in the event of nonpayment.

Off balance sheet. This describes payment obligations that are recorded only as current expenses on a company’s income statement after each payment is made, rather than being recorded on the company’s balance sheet as part of a cumulative liability for all future payments over a full debt term.

Partial payment. This refers to situations in which only part of the utility bill is paid, or the utility bill’s energy use component is paid but the financing portion is not.

Transferability. Once a property sells or leases, the on-bill obligation remains associated with that property. Further, regarding loan programs, there are concerns as to whether utilities should be allowed to use the threat of disconnection to ensure repayment to a private financier (for more information, see [Kramer, 2014](#)). Utilities using their ability to shut off power—when they are doing so on behalf of a private creditor seeking debt collection—raises ethical concerns. Also, pursuing those debt collections can introduce legal and administrative complications in the event of partial payment.

In the case of partial payment for OBF, the utility’s financing may be the cost the customer cannot afford, in which case the inability to repay debt—not the inability to pay the energy costs—may be the cause of nonrepayment. With OBR, the debt collection component of customer bills can trigger disconnection,

with significant ethical implications. For case studies of on-bill programs and final decisions regarding using disconnection, see SEE ACTION 2014. Additionally, the California Public Utilities Commission authorized three on-bill pilot programs in 2013: one commercial OBR program with disconnection, one residential OBF program without disconnection, and one nonresidential OBF program with the possibility of disconnection (Wilson Sonsini Goodrich & Rosati 2013).

Utilities that offer TOB programs are investing in energy efficiency upgrades as an essential utility service, and the cost recovery charge can be designed to be less than the estimated savings. This effectively lowers the bill compared to what it would have been to deliver the same level of service. These investments are secured by the utility's current terms of disconnection for nonpayment, which is the same as all other billed utility costs. Thus far, no utility offering a tariffed on-bill program has reported ever initiating proceedings for disconnection for nonpayment.

~~4.4 CITY/COUNTY RATE DIFFERENTIAL—DON~~

~~Rates should, within reason, reflect the differential cost of service between the city and county. County residents should not subsidize the utility in an outside of the actual cost of providing the services to the areas outside the limits of Gainesville.~~

~~4.5 UNIVERSITY OF FLORIDA—WENDELL~~

~~GRU and the City of Gainesville will foster a positive relationship with the University of Florida and provide them, at every appropriate opportunity, information on how the UF could assist the City of Gainesville and how the City of Gainesville could assist UF through GRU providing power to the University of Florida's main campus. Benefits to UF would include access to a higher percentage of renewable power, higher reliability, local expertise at GRU to assist with steam plant. Benefits to the City of Gainesville include full utilization of energy portfolio and additional revenue.~~

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~~Background~~

~~The University of Florida is the largest electrical consumer within the Gainesville municipal area and is currently served by Duke Power. Some University units south of Archer Road and in other parts of the county are served by GRU. Electrical consumption on campus represents about 20-25% of GRU's annual electricity production.~~

~~Goal~~

~~The goal of the City of Gainesville and its utility is to develop a closer partnership with the University of Florida in an effort to spread the utility's fixed costs over a greater annual generation of electricity and other utilities. This will reduce the overall cost of generation and solidify the stated goals of partnership between the City and UF.~~

~~Policy~~

~~The City of Gainesville and GRU shall make every effort to become UF's preferred utility provider.~~

~~4.6 ECONOMIC DEVELOPMENT—DON~~

~~It is the policy of the City of Gainesville to encourage economic development efforts. The~~

~~reliability and availability of utility service and broadband across the City are significant assets that can encourage businesses to relocate or expand in Gainesville. To date,~~

4.6 ECONOMIC DEVELOPMENT - DON

~~GRU would benefit financially from growth in demand for its utility services. The trade off will be the cost of infrastructure needed to accommodate the increased demand. Those costs should be lower within GRU's existing service areas thus those areas should be the initial focus. On a case-by-case basis GRU may benefit from expanding its existing service areas.~~

BACKGROUND

~~It is the policy of the City of Gainesville to encourage economic development efforts by insuring an adequate provision of utilities (water/sewer, electric, gas and broadband) to the community served by each of its utility services and to report on utility capacity and areas where utility service deficits exist.~~

GOAL

~~GRU has not developed a wide audience when seeking to "tell its story" about reliability and service while maintaining competitive utility rates. GRU would benefit from developing a wider audience through targeting partners who serve the business community such as the economic development offices at chambers of commerce, Alachua County, UF, SFC, CareerSource of North Central Florida, and others. GRU would benefit by receiving input from the economic development partners and by engaging them to become its ambassadors and help "tell its story".~~

POLICY

~~GRU will The~~

~~reliability and availability of utility service and broadband across the City are significant~~

~~assets that can encourage businesses to relocate or expand in Gainesville, develop a list of potential economic development partners located within its service area, develop regularly scheduled communication, and encourage non-scheduled input with those partners to insure that it is a proactive participant in economic development.~~

~~To date,~~

~~general government has engaged in marketing programs for the city and the metropolitan area, while GRU offers special power rates to large power users. The Manufacturing Retention and Expansion Program offers a reduction in fees to incentivize the development of manufacturing~~

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businesses within GRU's service territory. Going forward, the City will continue to evaluate and refine its existing programs and introduce new programs and incentives as appropriate. In particular, the City will explore opportunities to promote existing strengths in the fields of technology, medical sciences and education.

Goal 5UF strategic plan

A strengthened public engagement of the university's programs with local, national, and international communities.

- Objective 1. Increased engagement and outreach of UF programs leading to positive impacts in such areas as health, the economy, environment and community.
- Objective 2. Improved communication leading to increased public awareness of and value placed on UF programs and their impact on society.
- Objective 3. Increased technology translation and entrepreneurial activities.