

# *On-Bill Financing*

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*For Business Customers and Trade Professionals*

(V1.5) Utility Administrator

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## 1. Overview

On-Bill Financing (OBF) is administered by San Diego Gas & Electric (SDG&E®) under the auspices of the California Public Utilities Commission (CPUC). OBF offers **zero-percent interest, unsecured financing** to eligible customers for the installation of qualifying energy-efficient business improvements. Eligible equipment for OBF includes measures that qualify for incentives and/or rebates in SDG&E's energy efficiency and certain demand response programs. See individual program applications and/or measure catalog for a current list of equipment qualification and guidelines.

### ***On-Bill Financing loans are not transferable.***

Customer shall be responsible for OBF loan charges.

If a customer closes an account with an OBF loan balance, the loan will be due in full on the customer's final SDG&E bill.

If the account(s) undergo(es) a name change or change in ownership, account(s) may be subject to closure and any loan balance will be due in full on the customer's final SDG&E bill.

If a new account (or existing account in the customer's name) is established, the OBF loan balance may be eligible for a payment agreement. Customer payment agreements are subject to SDG&E Credit Services guidelines.

### 1.1. Customer Account Eligibility

OBF is available to eligible non-residential 'business' accounts with existing buildings/locations that have an electric or natural gas account with SDG&E.

Non-residential accounts include commercial, industrial and agriculture customers. Properties such as residential households (borrower resides onsite) are **not eligible** for OBF.

Certain Homeowner Associations (HOA) and multifamily property owners may also qualify. The HOA or multifamily property owner will be asked for additional information for verification of equipment location and end use. In no case can loans be made where the equipment is installed inside a residence.

Every OBF application will undergo a bill payment history/credit review. See OBF application for specific credit criteria. If customer's bill account(s) does not meet the credit criteria as described on OBF application, all parties will receive an email notification stating the reason for the disqualification. OBF does not request a third party credit report from a credit reporting bureau.

### 1.2. Direct Access/Energy Service Provider (ESP) Accounts

Direct Access gives customers the option to purchase their electric commodity from an Electric Service Provider (ESP) rather than from SDG&E. Customers with an ESP who install qualifying energy-efficiency measures are eligible for OBF if they receive a monthly bill from SDG&E that includes both ESP charges and SDG&E transmission and distribution rate components.

### 1.3. Government-Funded Customers (Institutional Customers)

A government-funded customer is defined as a customer that uses tax revenue to pay utility bills associated with the account assigned to the OBF loan. Accounts of government-funded customers are those for facilities used/operated and whose energy bills are paid by federal, state, county, city, or Indian tribal governments (recognized by the federal government or State of California); including offices, courts, police stations, fire stations, correctional facilities, shelters, public libraries, museums, parks, postal services, state universities and colleges, city colleges and schools and government-run commercial operations such health care facilities, etc.

*For loan calculation purposes, government-funded customers may add to the incentives with American Recovery and Reinvestment Act (ARRA) funds, grants, General Fund monies, thereby reducing the loan amount and loan term. Non-government-funded customers may co-pay the project cost to reduce the loan amount, but it will not reduce the loan term.*

### 1.4. Low-Income Multifamily Customers

A low-income multifamily customer is defined as a customer with a non-residential utility account whose property meets the following specifications: property must meet definition under Pub. Util. Code § 2852(a)3(A) and must also house at least 65 percent of tenants with incomes at or below 200 percent federal poverty guidelines.<sup>1</sup> To qualify for the OBF option, all equipment must be installed in a common area that's served by a utility account with a qualifying non-residential rate.

### 1.5. Net-Metered Accounts

Customers with net-metered accounts, or cogeneration, wind, solar, and other types of self-generation may participate in OBF if they receive a monthly bill from SDG&E that includes SDG&E transmission and distribution rate components.

## 2. Eligible Equipment & Fees

OBF finances only new energy-efficiency equipment that qualifies for a rebate or incentive in an SDG&E program or an SDG&E-funded 3rd-party program. The customer may also include an electrician and other project-specific charges related to measure installation. **See rebate and incentive programs for specific equipment guidelines and requirements.**

### 2.1. Equipment & Charges not Eligible for Financing

- In-house labor costs for measure installation
- Equipment installed prior to SDG&E approval and signed loan agreement
- Any equipment that does not qualify for an energy-efficiency rebate/incentive through SDG&E

### 2.2. Multiple Accounts on Premises<sup>2</sup>

For customers with multiple accounts on a premises/location, SDG&E will assess **credit** eligibility for each account located on the premises that will be included in the retrofit.<sup>3</sup> All accounts on the premises must meet eligibility criteria to qualify for financing. Loan will be attached to primary account. All accounts on the premises will be subject to disconnection in the event of non-payment.

<sup>1</sup> Pub. Util. Code § 2852(a)3(A) stipulates that the property must be financed with low-income housing tax credits, tax-exempt mortgage revenue bonds, general obligation bonds, or local, state, or federal loans or grants, and for which either of the following scenarios apply: (1) The rents of the occupants who are lower-income households do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the terms of the financing or financial assistance, or (2) The affordable units have been or will be initially sold at an affordable housing cost to a lower-income household and those units are subject to a resale restriction or equity sharing agreement pursuant to the terms of the financing or financial assistance.

<sup>2</sup> All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided, excepting in the case of industrial, agricultural, oil fields, resort enterprises, and public or quasi-public institutions, by a dedicated or undedicated street, highway, or other public thoroughfare or railway. Automobile parking lots constituting a part of and adjacent to a single enterprise may be separated by an alley from the remainder of the premises served.

<sup>3</sup> Only government-funded customers may aggregate accounts at different premises.

### 3. Working with Trade Professionals or Self-Installation

There are many Trade Professionals in SDG&E's service territory who are familiar with energy-efficiency programs. Many of them contact and solicit eligible customers offering to retrofit their facilities with energy-efficient equipment and to facilitate participation. **These Trade Professionals are not affiliates or employees of SDG&E; they are individual Trade Professionals utilizing utility programs.**

A customer may choose to work with a Trade Professional to purchase and install qualifying equipment and allow the Trade Professional to submit an OBF application on their behalf. The customer is responsible for obtaining their own Trade Professional(s) and SDG&E encourages customers to obtain multiple bids. For the purpose of OBF, "Trade Professionals" are defined as equipment contractors (installers). Trade Professionals who submit OBF applications on behalf of customers are required to attend OBF Training and sign the Trade Professionals Participation Agreement. Customers who choose to self-install are not required to attend training nor sign the Trade Professionals Participation Agreement. No Trade Professionals are commissioned or endorsed by SDG&E to install equipment. Customers should select their licensed Trade Professional with care the same way they select any other service provider. The customer must make sure to thoroughly understand the Trade Professional's contract, including the equipment warranty.

If the customer experiences an equipment problem or is not satisfied with the quality of the work of a Trade Professional hired, they should contact their Trade Professional directly to resolve the issue. If the issue cannot be resolved to the customer's satisfaction, they should consider contacting the Contractors State License Board at **1-800-321-CSLB (2752)**. The customer may also contact the Better Business Bureau. In no event is SDG&E responsible for equipment problems or problems with the Trade Professional.

A customer may install some qualifying measures themselves. Please note that some measures require

installation by a licensed Trade Professional in which case the customer may not self-install. If the customer does self-install, equipment must be installed pursuant to the manufacturer's specifications. The customer must check with the equipment manufacturer to ensure adherence to state and local building codes and ordinances, as well as the manufacturer's requirements.

**SDG&E does not endorse or recommend any Trade Professional. Loan applicants are solely responsible for reviewing the feasibility of the Trade Professional proposal and verifying Trade Professional qualifications, pricing, energy savings, warranties and other terms and conditions.**

### 4. Loan Criteria

The minimum loan amount is \$5,000. Loan amount is equal to:

$$\begin{aligned} & \text{Total project cost} \\ & - \text{Rebates and/or incentives} \\ & = \text{Loan amount} \end{aligned}$$

#### 4.1. Loan Maximum

The loan maximum per premises/location will be determined by the number of meters at the premises/location, provided the total loan amount does not exceed the maximum amount that one customer can receive. Non-government-funded customers are limited to a maximum of \$1 million dollars in total financing, and government-funded customers are limited to a maximum of \$2 million dollars in total financing.

- Each non-residential customer may qualify for up to \$100,000 per meter, with a maximum of \$1,000,000 per customer
- Each government-funded customer may qualify for up to \$250,000 per meter, with a maximum of \$2,000,000 per customer
- Eligible low-income multifamily accounts may qualify for up to \$250,000 per meter, with a maximum of \$1,000,000 per customer
- Eligible State of California accounts may qualify for up to \$1,000,000 per meter, with a maximum of \$2,000,000 per customer

OBF loan requirements by customer type	Low-Income Multifamily	State of California-funded	Government-funded	Non-government funded (lighting or low cost equipment only) <sup>4</sup>	Non-government-funded comprehensive projects
Minimum loan per project	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Maximum loan per meter	\$250,000	\$1,000,000	\$250,000	\$100,000	\$100,000
Maximum loan per customer	\$1,000,000	\$2,000,000	\$2,000,000	\$1,000,000	\$1,000,000
Maximum loan term requirements <sup>5</sup>	120 months or EUL, whichever is shorter.	180 months or EUL, whichever is shorter	180 months or EUL, whichever is shorter	36 months or EUL, whichever is shorter	60 months or EUL, whichever is shorter

The monthly loan repayment will be billed as part of the participating SDG&E customer's utility bill.

A customer may qualify for multiple loans under the OBF option on the same meter(s), provided the aggregate contracted dollar amount of the loans does not exceed the maximum loan amount for the premises or the maximum loan amount based on customer type.

*Example - government-funded site with two eligible meters may qualify for total of \$500,000.*

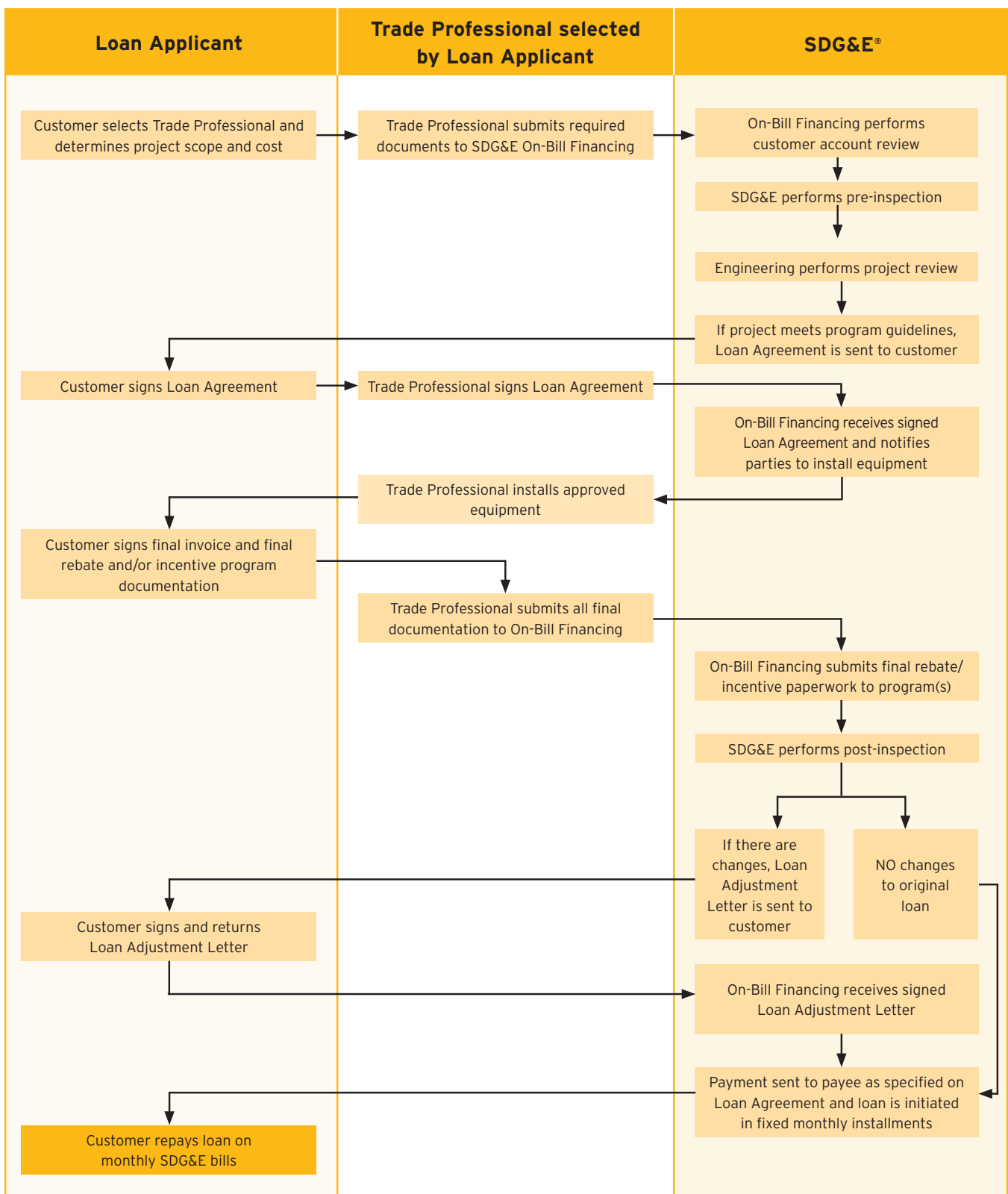
*Example - qualified non-government site with two eligible meters may qualify for total of \$200,000.*

*Example - qualified multifamily low-income site with two eligible meters may qualify for total of \$500,000.*

<sup>4</sup> Lighting & low cost equipment includes: lighting, lighting controls, pipe insulation, window film, plug load sensor, low-flow showerhead, and vending machine controller.

<sup>5</sup> EUL - Equipment Useful Life as defined by Database for Energy Efficiency Resources (DEER).

## On-Bill Financing Process Flow



## Pre-Installation Steps

### 5. Verify On-Bill Financing Eligibility

Trade Professionals may work with customers to submit an On-Bill Financing Customer Account Eligibility Request & Release form to verify a customer qualifies for financing prior to submitting a complete application package. The eligibility & release form is available online at [sdge.com/obf](https://sdge.com/obf).

Once a completed eligibility & release form is received, the OBF team will review the customer's bill payment history to determine the account standing for credit and OBF eligibility. Parties will be notified via email with the account's eligibility status.

Important Note: The customer name and service address needs to be listed on the form as it appears on the customer's monthly SDG&E bill. Incomplete forms will not be processed.

#### 5.1. OBF & SDG&E's Business Energy Solutions Program

SDG&E's Business Energy Solutions Program facilitates the installation of some qualified equipment at no cost for small/medium non-residential customers through designated Trade Professionals. If a customer applying for OBF is eligible to have equipment installed at no cost through SDG&E's Business Energy Solutions Program, OBF will notify the customer/Trade Professional that some or all of the proposed equipment is available at no cost. The customer may decide to enroll in SDG&E's Business Energy Solutions Program and cancel the OBF application. If the customer prefers to install equipment through their selected Trade Professional and finance the project with OBF, the customer shall sign and return a waiver provided by OBF.

### ***OBF loans are not transferable.***

If customer closes an account with an OBF loan balance, the loan will be due in full on customer's final utility bill.

If the account(s) undergo a name change or change in ownership, account may be subject to closure and any loan balance will be due in full.

Customer shall be responsible for utility OBF loan charges.

If a new account (or existing commercial account in the customer's name) is established, the balance may be eligible for a payment agreement. Customer payment agreements are subject to Credit Services guidelines.

### 6. Applying for OBF

Participation in an SDG&E non-residential rebate and/or incentive program is required and financed equipment must qualify under rebate and/or incentive program guidelines. Please see program applications and information prior to submitting an OBF application.

Once the scope of work has been finalized for a project, the customer and/or Trade Professional can log on to [sdge.com/OBF](https://sdge.com/OBF) to **download and complete** the OBF application and the OBF Workbook. Please verify that manufacturer equipment specification sheets are attached to the workbook and that all equipment qualifies for a rebate or an incentive. **Important Note: Before submitting a new OBF project, please verify the measure information is consistently listed on all required documents.**



### **6.1. Submitting OBF Application**

OBF applications must be complete, signed and submitted to the OBF team via email at [businessenergysavings@sdge.com](mailto:businessenergysavings@sdge.com).

### **6.2. Initial Required Application Materials - Rebate/OBF**

1. OBF application
2. Online Rebate Program application (for non-lighting measures only)
3. OBF Workbook with manufacturer specification sheets included
4. Trade Professional proposal/scope of work/contract signed by customer (and participating Midstream Lighting distributor, if applicable)

### **6.3. Initial Required Application Materials - Incentive/OBF**

1. OBF application
2. Incentive Program application
3. Trade Professional Proposal/scope of work/contract signed by customer

## **7. Pre-Inspection and Engineer Review**

If the account passes the initial credit review, the OBF team will request a pre-inspection of the site or, if it was already completed, verify pre-inspection status. OBF will forward the completed OBF Workbook to the engineering team to review and calculate the estimated energy savings for the project.

## 8. Calculating OBF Loan

Once the engineer has completed the energy savings verification, approval is sent to the OBF department to calculate the loan project summary (see sample project summary). Loan terms are equal to simple payback period plus one month using total project cost, rebates and/or incentives, average rate per kWh and/or therm and approved potential energy savings. If the simple payback period is already at the maximum loan term (36, 60, 120, or 180 months), an additional month will not be added to the loan term.

### OBF Simple Payback Sample

Total cost of measure installation & fees associated	Total rebate amount	Total incentive amount	Total rebate & incentive to be applied to project cost	Customer total loan amount	Customer average rate	Engineer-approved energy savings
\$15,000.00	\$4,000.00	\$1,000.00	\$5,000.00	\$10,000.00	\$0.13	\$30,000.00
Estimated annual energy cost savings	Simple payback in years	Payback in months	Loan term months	Customer fixed monthly loan payment	Expected monthly energy savings	
\$3,900.00	2.56	31	32	\$312.50	\$325.00	

Loans are calculated to be 'bill neutral,' where the expected monthly energy savings should off-set the fixed monthly loan installment. However, SDG&E does not guarantee energy savings. SDG&E cannot shorten or extend loan term at customer request. The customer may pre-pay the loan without penalty (please contact SDG&E prior to prepayment of loan balance).

### 8.1. Loan Agreement Notification

Once the loan has been calculated and meets project payback requirements, all parties will be notified via email. The loan package will be emailed to the customer or delivered by SDG&E Account Executive (if applicable).

***Please note: Customers and Trade Professionals are required to sign an On-Bill Financing Loan Agreement in addition to the required OBF application prior to installation. Equipment installed prior to loan agreement and OBF approvals will not be eligible for financing.***

### 8.2. Payback or Minimum Loan Requirements Not Met – Non-Qualified Project

If the loan amount does not meet the minimum \$5,000 requirement and/or does not meet payback requirements, the loan will be disqualified and all parties will be notified. If the customer decides to move forward with a revised application, the Trade Professional/customer will be required to submit a revised signed application including new project cost and/or scope of work to OBF. The loan will be recalculated based on the revisions and the parties will be notified of loan status via email.

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If a new account (or existing commercial account in the customer's name) is established, the balance may be eligible for a payment agreement. Customer payment agreements are subject to Credit Services guidelines.

## **9. Loan Agreement**

**The OBF loan agreement must be signed by an authorized representative listed on the SDG&E account. The Trade Professional (if applicable) will also sign the OBF loan agreement.** The loan agreement can be emailed to SDG&E at [businessenergysavings@sdge.com](mailto:businessenergysavings@sdge.com).

## **10. Clearance to Begin Installation (Notice to Proceed with Installation)**

Once the signed loan agreement is received by SDG&E, all parties will receive a "Notice to Proceed" via email that installation may begin. Measures must be installed by an appropriately licensed Trade Professional unless the customer performs a self-install with in-house staff. All equipment must be installed

pursuant to the manufacturer's specifications. The customer is responsible for ensuring that all equipment and installations are in compliance with state and local building codes and ordinances, as well as manufacturer's requirements.

## *Post-Installation Steps*

### **11. Installation Complete - Submitting Installation Documentation**

Once installation of all equipment is complete, all required paperwork should be submitted directly to the OBF department to expedite post-inspection and rebate/incentive payment.

#### **11.1 Rebate & OBF Required Post-Installation Forms Include:**

- Final invoice signed by the customer
- Completed and signed rebate application and rebate documentation (for non-lighting equipment only)
- Manufacturer equipment specification sheets
- Updated OBF Workbook (*if project scope has changed from initial, approved application*)

#### **11.2 Incentive & OBF Required Post-installation Forms Include:**

Required post-installation forms include:

- Final Invoice signed by the customer
- Completed installation documentation (e.g. EEBI Installation Report)

### 11.3 Rebate/Incentive Payments

The OBF department will forward the final post-installation documentation (as noted above) for rebate/incentive processing. The paperwork will be reviewed by the processing department for the necessary documentation.

### 11.4 Incomplete Documentation

If the documentation is incomplete, processing center representatives will try to reconcile information with the customer, their Trade Professional, or utility resources. This process may include a phone call from SDG&E or the package may be returned to the customer with a notification and description of missing or incorrect documentation.

### 11.5 Rebate/Incentive Payments - Rebate Program

After the rebate paperwork has been approved and a post-inspection has been completed, rebate payment will be authorized and a rebate check will be issued to the recipient specified on the rebate application.

### 11.6. Rebate/Incentive Payments - Incentive Program

After the incentive documentation has been approved and a post-inspection has been completed, an incentive check will be issued according to the incentive program guidelines and application and/or contract.

***Please Note: Post-installation incentive may be split into multiple payments - see incentive program guidelines for specific incentive payment structure.***

## 12. OBF Loan Adjustment Letter

Once the post-installation amount of the rebate/incentive check(s) has been determined, the OBF department will adjust (true-up) the final loan term. Final loan term may be adjusted based on final installed project costs, energy savings, and rebate/incentives. If customer is participating in an incentive program, loans are adjusted on the pre-measurement/evaluation

incentive amount. While there may be an adjustment in the final loan term, adjusted loan term may not be shorter than original signed loan agreement. *Please note, if the final project does not meet the required loan minimum, maximum or loan term/payback the project will not qualify for financing.*

The Loan Adjustment Letter is sent via email directly to the customer for signature. The letter will include the original and final loan terms. The customer can email the signed copy of the Adjustment Letter to SDG&E at [businessenergysavings@sdge.com](mailto:businessenergysavings@sdge.com). Trade Professionals are not required to sign the Adjustment Letter.

***Important Note: If the signed Loan Adjustment Letter is not received by the OBF team within 30 days, SDG&E will revert to the original executed Loan Agreement.***

## 13. OBF Payment

Once the signed Loan Adjustment Letter (if applicable) is received by SDG&E, the loan will be created and the loan check(s) will be requested from the SDG&E Accounts Payable department. The loan check(s) will be released to the customer or the Trade Professional(s) in accordance with the loan agreement. The check(s) made payable to the Trade Professionals will be mailed to the address specified on the loan agreement. Checks are not available for pick up by Trade Professionals. SDG&E does not make progress payments or fund loans prior to installation, post-inspection or execution of Loan Adjustment Letter (if applicable).

SDG&E is not obligated to fund the loan after installation under one or more of the following conditions:

1. The final loan does not meet the minimum loan amount (\$5,000)
2. Payback is longer than maximum loan term allowed
3. There is no customer signature on the OBF Loan Adjustment Letter

## 14. OBF Loan Repayment

Approximately 30 days after the loan check payment is issued, the fixed monthly loan installment will appear on the customer's SDG&E bill on the account specified on the loan agreement. The installment and remaining balance can be found on the **Other Charges** area of the bill. The loan installment will appear on the bill for the remainder of the loan term. The customer is responsible for repayment of the entire agreed-upon loan amount in accordance with the loan agreement or adjustment letter.

### 14.1. Financing Additional Equipment

An eligible customer may qualify for additional financing if the current loan amount is less than the maximum allowable for the customer type. For example, if a non-government-funded customer has a loan agreement for \$100,000 (the maximum) they must pay the loan in full prior to applying for additional funding on the same account. If a customer has a \$75,000 loan and decides to install additional equipment, they may qualify for up to \$25,000, regardless of how much has been paid back on the first loan.

### 14.2. Closed Accounts

**The OBF loan is not transferrable.** If there is a loan balance on a closed account, the balance is due in full on the final utility bill. If the customer with the loan agreement opens a new account at a new location, they may make payment arrangements with the Credit Services Department (loan balance will be treated as a past due bill, not as a continuation of OBF loan). If the customer breaks the payment arrangement, they are at risk of meter shut-off.

### 14.3. Tax Liability

SDG&E is not responsible for any tax liability for OBF loans.

### 14.4. Early Loan Repayment

There are no penalties for early loan payoff. The loan agreement requires that the customer contact SDG&E prior to submitting full payment. This allows the OBF department to verify the loan payment is applied

to outstanding loan charges. Please contact the OBF team ([businessenergysavings@sdge.com](mailto:businessenergysavings@sdge.com)) to make arrangements to pay off loan early.

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Customer shall be responsible for utility OBF loan charges.

If a new account (or existing commercial account in the customer's name) is established, the balance may be eligible for a payment agreement. Customer payment agreements are subject to Credit Services guidelines.

### 14.5. Late Payment Penalties

Loan installments are not subject to late payment fees.

## 15. OBF Tariff and Department of Corporation Financing Exemption

### 15.1 Department of Corporation Exemption

The Department of Corporations is California's financial authority. It regulates financial lending policy.

The Department of Corporations in its Release 60-FS ("Release"), issued on 7/14/2006, determined that the Investor-Owned Utilities are not "engaged in the business" of a finance lender or broker under Financial Code Section 22100 of the California Finance Lenders Law (CFLL) when making commercial loans under the conditions described in the Release. Therefore, the IOUs are not required to obtain a finance lender or broker license under the CFLL when engaged in these financing activities "for energy-efficiency purposes."



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