

Deliberative Approach to Developing a Reserve Fund for a Tariffed On-Bill Investment Program for Efficiency Upgrades

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Prevailing Conditions at Participating Utilities

1. What efforts does a participating utility currently take to collect payment for unpaid bills, or delinquent accounts receivable?
2. At what point does a participating utility declare unpaid accounts receivable from a specific account to be uncollectible?
3. How does a participating utility handle *uncollectible accounts receivable* for its current service offerings, such as the delivery of electricity?
4. What is the prevailing rate at which uncollectible accounts receivable on the utility's balance sheet are *charged-off* each year?
5. How does the utility currently allocate the cost of charge-offs?

Financial Analysis of a Tariffed On-Bill Investment Program for Efficiency Upgrades

1. What is the estimated scale of net benefits expected by a utility from an investment portfolio of energy efficiency upgrades?

Experience with Tariffed On-Bill Program for Efficiency Upgrades

1. What is the cumulative scale of investment reported by all utilities that offer tariffed on-bill programs?
2. What is the average size of investment for programs focused on residential upgrades?
3. How does the scale of risk exposure change over the course of the cost recovery period?

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4. What is the charge-off rate reported by utilities that have made investments through a tariffed on-bill program based on the PAYS system?
5. What are some of the causes of charge-offs that other utilities have reported?
6. What portion of the charge-off amounts reported have been approved due to customer service considerations rather than inability to collect billed charges or irreparable failure of equipment that is out of warranty?

Program Design Decisions for Declaring Accounts Receivable to be Uncollectible

1. Should foregone billing cycles due to customer satisfaction considerations be considered uncollectible accounts receivable?
2. If a meter becomes inactive, can a utility extend the period over which it is recovering costs by the same number of missed billing cycles?
3. During the cost recovery period for an efficiency investment, how many billing cycles must be missed due to meter inactivity before a utility should declare the missed billing cycles and future charges to be uncollectible?
4. If a customer that moves away leaves unpaid charges that include a Program Service Charge for efficiency upgrades and the successor customer at that location has received due notice of the upgrades and associated cost recovery, may the utility continue to apply the tariffed to a successor customer?
5. Can a utility collect missed charges unpaid by a prior customer from a successor customer?

Treatment of Energy Efficiency Upgrades Compared to Other Investments

1. If the rate of charge-offs in a tariffed on-bill investment program for efficiency upgrades is comparable to (or better than) a utility's main service offerings, would the utility be able to manage that level of risk?
 - a. If not, how low would the risk of uncollectible accounts receivable need to be before a utility could manage the related charge offs?
2. Is it possible to treat uncollectible accounts receivable for energy efficiency services the same as the utility's current service offerings?
 - a. If not, what rationale would justify treating investments in energy efficiency upgrades differently from other investments authorized by the utility?

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3. If a utility management team cannot manage any risk in its investment portfolio for energy efficiency due to inexperience, at what point should a utility be able manage risk of uncollectible accounts receivable for efficiency services in a manner that is similar to other services?

Design Decisions for a Reserve Fund Established with Public Benefit Funds

1. What are the roles in the operation of a Reserve Fund?
 - a. Funder
 - b. Custodian
 - c. Administrator
 - d. Subscriber

While the first three roles are distinct, they can be performed by a single entity if it is well-suited to all three roles.

2. What are trigger points for key actions in a Reserve Fund?
 - a. Deposit
 - b. Subscription
 - c. Obligation
 - d. Claim
 - e. Disbursement
 - f. Termination of Subscription
 - g. Dissolution
 - h. Payment for Operations

Deposit

3. What would be the source of initial funds deposited in the Reserve Fund?
4. What entities could serve as the custodian of funds deposited in the Reserve Fund?
5. If the custodian is a financial institution (e.g. a bank or CDFI), would the custodian be able to count funds deposited in the Reserve Fund among its overall deposits upon which other lending business is based?
6. Would any of the candidate custodians assess fees for holding deposited funds?
7. Under what conditions could additional funds be added to the Reserve Fund in the future?

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Subscription

8. What is the eligibility criteria for a subscriber to the Reserve Fund?
 - a. Type of program through which investments are being made
 - b. Adoption of specific standards for quality assurance (i.e. risk management)
 - c. Type of incorporation (e.g. cooperative, municipal utility, or investor owned)
 - d. Geographic location
9. Based on the risk exposure that a utility deems that it cannot manage without a Reserve Fund and the scale of that risk based on field observations, what would be a prudent level of leverage for subscribed funds in a Reserve Fund?
10. Should the level of subscribed Reserve Funds be limited in any way (e.g. by scale, by time period of capital deployment)?
11. Should utilities be able to subscribe to the Reserve Fund on a first-come, first-served basis or through some other process?
12. At what point does the subscription expire?

Obligation

13. At what point should a Subscriber notify the Reserve Fund Administrator that it has made investments that obligate some portion of its subscription (e.g. monthly, quarterly)?
14. How should obligations be reported by the Administrator (e.g. frequency, audience)?
15. At what point does the obligation of Reserve Funds expire?

Claim

16. Should the Reserve Fund accept customer satisfaction considerations as uncollectible accounts receivable?
17. What portion of a utility's charge-off amount should be eligible for reimbursement from the Reserve Fund?
18. What is the penalty for making a claim found to be fraudulent?
19. Should the process for validating large claims be different than small claims? If so, what would be the threshold, and how would the process be different?

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Disbursement

20. How frequently are disbursements processed?

Termination of Subscription

21. What is the process for a Subscriber ending a subscription?

- a. Do outstanding obligations remain covered?
- b. Do unobligated subscription amounts return to the Reserve Fund?

22. Under what conditions does the Administrator have a right to terminate subscriptions?

Dissolution

23. Must the Reserve Fund remain in operation until all investments for which Reserve Funds have been obligated have been recovered?

24. If the Reserve Fund ceases operation, to whom do the remaining funds belong?

Payment for Operations

25. Should any fees be paid to a Custodian, and if so, on what terms?

26. Should any fees be paid to an Administrator, and if so, on what terms?