

ON-BILL FINANCING OVERVIEW

Board of Public Utilities

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Overview



Introduce the concept of On-Bill Financing



Discuss potential benefits for DPU and customers



Request BPU guidance on next steps

What is On-Bill Financing?

On-Bill Financing Overview

- On-bill financing allows customers to finance energy upgrades through their utility bill rather than personal credit request by traditional loans
- On-bill financing programs are used by utilities across over 30 U.S. states

Key Characteristics

- On-bill financing can solve one of the biggest barriers to electrification: upfront cost
- Payments appear as a line item on the utility bill (familiar payment mechanism)
- Financing often tied to the meter/property
- Projects focus on energy efficiency and electrification

Typical Eligible Upgrades

- Heat pumps
- Insulation and air sealing
- Electrical panel upgrades
- Efficient water heating

Benefits of On-Bill Financing

Strategic Alignment with County goals

- Incentivizing the transition from natural gas to electrification
- Helping customers invest in upgrades that improve efficiency and resiliency

Incentives for customers

- We are currently prohibited by the anti-nation clause to provide traditional incentives to encourage energy efficient retrofits. However, On-Bill Financing provides a funding source for customers while remaining in compliance with the anti-nation clause
- Provides low interest loans (0-5%)
- No increase to the individual property owner's debt-to-income ratio, there is no personal debt acquired

Energy Upgrade Financing Gap



Many households cannot easily finance large energy upgrades



Heat pump installations often exceed \$15k–\$20k

Many households are cash-flow constrained

On-bill financing can solve one of the biggest barriers to electrification: upfront cost



On-bill financing allows customers to pay for upgrades gradually through their utility bill

Low interest loans

No personal debt acquired

Why Utility Conservation Financing Matters

Los Alamos County has several infrastructure hurdles:

- ~86% of Los Alamos's households rely on natural gas for heating
 - Natural gas usage accounts for roughly 32% of the County's total community greenhouse gas emissions.
- Many homes built 1950s- 1970s have poor insulation, single-pane windows, and aging gas furnaces.

Governance & Capitalization

- **Capital Partner**: NM Climate Investment Center will provide the initial capital pool for the program
 - Grant Program and other financing opportunities
- **Program Administrator**: New Mexico Climate Investment Center or a **partner** could manage:
 - Contractor vetting
 - Project qualification
 - Application processing
 - Loan servicing and inspections
- **Utility Role**: DPU would provide the billing mechanism, program coordination & DPU would not act as the lender

Administrative Process

- Customer submits application through program administrator
- Eligibility review based on program design
- Collaborate with qualified contractors
- Project installation completed and verified
- Contractor payment disbursed by the capital provider
- Loan repayment begins through the utility bill
- Customer receives education on maximizing efficiency benefits

Repayment Mechanism

- Loan would be repaid through a charge on the utility bill (5-10 years)
- Programs typically demonstrated low default rates
- The goal is projects are designed so energy savings offset loan payments where possible
- Obligation can be settled at time of sale of property

Example of On Bill Financing for Mini Splits

Mini Splits		
Electricity Rate (\$/kWh)		\$0.1463
Proposed Natural Gas Rate (\$/Therm)		\$0.4500
Gross Installation Cost		\$18,000.00
Federal Tax Credit (25C)		\$2,000.00
HEEHRA/HEAR Rebate		\$1,750.00
Net Financed Amount		\$14,250.00
Current Situation		
Annual Gas Usage (Therms)		900
Annual Gas Cost		\$405.0000
Cooling (Swamp Cooler)	\$0.0000	No
Cooling (Window units)	\$292.6000	Yes
With Mini Splits		
Annual Electricity Usage (kWh) for Heating		9767
Annual Electricity Usage (kWh) for Cooling		1500
Est. Annual Electric Increase		\$1,648.31
Interest Rate (Annual)		
		4.00%
Repayment Term (Years)		
		7
Monthly Tariff Payment		
		\$194.78
Monthly Gas Cost Savings(Avg)		\$33.75
New Net Monthly Electric Cost (Avg)		\$112.98
Monthly Tariff Repayment		\$194.78
NET MONTHLY CASH IMPACT		-\$274.01

Examples of On-Bill Programs

- **Traverse City Light & Power Michigan:**

- Launched in 2020
- Loans from \$500k to \$30k
- Term: up to 10 years
- Interest rate: 3%

- **Ipswich Electric Light Department (ELD) Massachusetts:**

- Launched in 2023
- Interest rate: 0% on bill loan where the monthly charge is less than the estimated money saved from the energy efficient upgrades

- **City of Tallahassee Utilities Florida:**

- Est. 1983.
- Interest rate: 5% interest financing for more than 25 energy efficiency measures and solar PV.
- Terms: Up to 7 years for most measures, and up to 10 years for solar measures

- **Fort Collin's Epic Homes program**

- Integrates directly into existing billing systems and utilizes a CDFI to handle loan administration and credit checks.
- Capitalized through a mix of internal reserves, bank loans, and grants with on bill interest rates around 5%

Potential Barriers

- Identifying capital partners
- Developing revolving loan fund
- Ensuring contractor pricing remains competitive
- Program administration capacity
- Robust program participation is necessary for program success
- Must have buy-in from contractors

Key Program Focus Areas

- Los Alamos has long, cold winters and relatively mild summers, which means most home energy use goes toward heating rather than cooling
- Summer temperatures have been gradually increasing, and more residents are beginning to install air conditioning for comfort
- The most beneficial upgrades are technologies that address both heating and cooling needs:
 - Cold-climate heat pumps that provide both heating and cooling
 - Insulation and air sealing to reduce heat loss in winter and heat gain in summer
 - Electrical panel upgrades to support electrification

Staff Recommendations

- Staff propose developing a program and pursuing grant funding to stand up the program
 - The program components could include:
 - Energy audits to identify the most effective upgrades
 - Heat pumps for heating, ventilation and cooling
 - Heat pump water heater
 - Insulation and air sealing
 - Energy efficient windows and doors
 - Wiring and electrical panel upgrades where needed

Summary

- On-Bill Financing is a proven financing model used by utilities nationwide
- Helps overcome upfront cost barriers
- Supports beneficial electrification & conservation and helps spur the transition away from natural gas

Next Steps

To move forward, we recommend the Board of Public Utilities take the following actions:

- Direct staff to stand up the program to include:
 - Memorandum of Understanding with New Mexico Climate Investment Center and Coalition of Sustainable Communities New Mexico to explore program design and secure a capital allocation
 - Apply for supporting grants
 - Develop on-bill financing program

Thank you!
Questions?

