



Engineering and Public Works Department
155 South Seward Street
Juneau, Alaska 99801
Telephone: 586-0800 Fax: 586-4565

DATE: November 6, 2023
TO: Wade Bryson, Chair, Public Works and Facilities Committee
THROUGH: Denise Koch, Director, Engineering and Public Works
FROM: Dianna Robinson, Environmental Project Specialist, Engineering and Public Works
SUBJECT: On-Bill Financing and Heat Pumps

Background (Please reference Attachments A – D)

Resident and Utilities Advisory Board (UAB) member Stuart Cohen Assembly presented his idea for CBJ to adopt an ordinance regarding On-Bill Financing (OBF) at the August 7th Committee of the Whole (COW) meeting. Assembly member Smith put forth a motion for staff to research the concept and report to the Public Works and Facilities Committee (PWFC), and former City Manager Rorie Watt submitted a memo in response (Attachment B) at the September 18th meeting. Assembly member Hale requested at the same PWFC meeting that staff take a deeper look into the request from Mr. Cohen.

Mr. Cohen's Request

"We are asking for the Assembly to pass an ordinance enabling On-Bill Finance and providing for its integration with existing Water and Sewer billing software. Along with that, we would request that the Assembly designate a working group of city staff, OBF proponents, and interested financial entities or non-profits to devise a set of standards for the program. These standards would not be part of the ordinance but would be referred to as "agreed-upon standards, to be updated annually." Once that ordinance and those standards are in place, we can move forward with setting up the other aspects of On-Bill Finance: primarily a source of capital and the mechanism for ensuring standards are met. We're not asking the city for help in setting up the Rapid Adoption Program, nor for funding of any sort, nor for staffing of any OBF functions beyond automated payment processing."

Staff Assignment (Please reference Attachments E – I)

Staff spoke to representatives of True North Federal Credit Union, Alaska Heat Smart, AEL&P, JCOS, JEDC, the City of Fort Collins, Mr. Cohen, Utility Billing staff, and CBJ Finance Director Angie Flick.

Staff explored existing programs within the Juneau community, the potential need for OBF to finance heat pumps and other energy efficiency upgrades for residents, and the suitability of OBF on Water & Wastewater Utility bills for this endeavor.

Current Programs

Alaska Heat Smart (AHS): CBJ has provided \$797,094 in funding to the non-profit AHS since FY20. In FY24, CBJ funded the program for \$235,094. AHS provides home assessments for heat pump suitability and other recommendations for energy efficiency. In addition to assistance to low-income households (80% of

Juneau's median area income or less), they also provide some funding for heat pump installations for households up to 125% of Juneau's median area income. Detailed information can be found in Attachment E.

True North Federal Credit Union (True North): AHS has partnered with True North to provide low-interest rates for the purchase and installation of heat pumps for Juneau residents. Loans are on 5-year terms, with 4-6% interest based on the applicant (average rate is 4.1%), and the maximum for a loan principal is \$12,500. Total loans dispersed since 2021 are 32; however, 19 of those have been in 2023 alone (mostly in the 3rd quarter of 2023). AHS and True North attribute this recent growth to increasing local knowledge of the benefits of heat pumps and the existence of these programs through word of mouth from their customers, and outreach and education from AHS.

OBF and CBJ

On-bill finance (OBF) programs have incredibly low default rates – in many cases 0%.¹ However, the CBJ Water and Wastewater Utility eventually has to turn off drinking water to residents who do not pay their bills (after a prolonged process). It does not seem appropriate to turn off drinking water for residents if they are having difficulty paying for their combined utility and OBF charges.

In addition, the implementation of such a program would have significant challenges:

- While it appears that a third party can perform most of the duties of OBF programs as laid out, staff do not agree that it would be a 'zero cost' program for CBJ. Finance Director Angie Flick believes that one new FTE would be needed to handle the program internally within the Finance Department at a minimum.
- Utility billing software is not managed by CBJ IT. It is a third-party software program (Invoice Cloud) that already presents the Utility, as well as the Finance Department, with many internal billing and database challenges. Integrating OBF into the program would be challenging.
- In conversations with True North President Lauren McVay, they would be unwilling to back the financial side of the OBF program.
- OBF programs are designed so that the cost of the financed equipment/installation replaces the cost of higher energy use (although this is not always a 1:1 situation). CBJ's Utilities are for Water and Wastewater and not electricity; therefore, customers will only see an increased amount on their bill.
- AEL&P has looked into OBF and decided against implementing the program (Attachment H).

Recommendations

While OBF can be a useful tool for electric utilities, there is no nexus between the Water & Wastewater Utility and energy conservation. Additionally, the programs offered by AHS and True North offer nearly identical services and their usage is increasing. Staff recommends that PWFC and the Assembly do not further an ordinance for OBF.

Enclosures:

Attachment A Stuart Cohen COW 8.7.2023
Attachment B Clean Energy Programs Memo from City Manager Watt 9.15.2023
Attachment C Stuart Cohen Response to CM Watt's Memo
Attachment D On-Bill Financing Informational Document
Attachment E Alaska Heat Smart Mark Assessment - Demand for Heat Pumps
Attachment F Alaska Heat Smart Position on OBF 10.25.2023
Attachment G Alaska Heat Smart Loan Program Info Sheet
Attachment H AEL&P On-Bill Financing Memo 10.30.2023
Attachment I Fort Collins On-Bill Financing Program Comparison

¹ It should be noted that True North's loan program also has a 0% default rate.