



On-Bill Financing

Small businesses deserve targeted financial and technical assistance for energy efficiency

Most small businesses can expect to realize energy savings of up to 30 percent or more simply by implementing existing energy-efficiency strategies. The combined result of such a reduction would be huge.

An NSBA report, “On-Bill Financing: Helping Small Business Reduce Emissions and Energy Use While Improving Profitability,” found that if U.S. small businesses improved their energy efficiency by just 25 percent, they collectively could reduce greenhouse gas emissions by 259 million tons each year—the equivalent of 51 coal-fired power plants. The small businesses would benefit individually as well. The same report found that energy-efficiency improvements could help the average small business save \$4,932—and oftentimes more—every year on its energy bills.

Unfortunately, most small-business owners, especially in the current economic climate, are not able to extend the upfront capital necessary to undertake these projects. Thankfully, a program that has proven track record at helping small firms realize their energy-efficiency potential without expending upfront capital already exists and can be duplicated.

On-bill financing (OBF) is a utility-based method for financing energy-efficiency improvements that requires no upfront capital from the small business. Typically, a utility pays the upfront costs for the energy-efficiency investments and provides both incentives and zero-interest financing. Repayment is based on estimated monthly energy savings; and the small business “shares” the savings with the utility until the loan is repaid.

The OBF program at United Illuminating (UI), in Connecticut, has a long track record of success. For more than ten years, UI has been offering incentive rebates and on-bill financing through its award-winning Small Business Energy Advantage Program.

Here is an example of how the program works: a small restaurant retrofits its lights and installs HVAC programmable thermostats and controls on the refrigeration, evaporator fan, and novelty units. Say the cost of this project is \$10,434. UI provides a \$2,640 incentive with the balance being financed on-bill at zero-percent interest. With estimated monthly savings of \$392, the project has a 20-month payback, but UI extends the repayment to 24 months to make the project immediately cash positive by \$68 per month. The result for the firm is no upfront costs, no extra statements, no extra checks—just its regular, monthly utility bill, albeit for slightly less than before. When the loan is paid off in 24 months, however, the firm’s annual savings will jump to \$4,704 (or \$392 per month).

Instead of making an investment in energy efficiency, what if the small firm had tried to increase sales to realize an extra \$4,704 in profit each year? Assuming the 4-percent profit margin typical of most restaurants, it would have needed to increase its sales by almost \$120,000 to realize the same \$4,704.

NSBA urges the adoption of targeted incentives and creative financing programs – specifically On-Bill Financing – to ensure that America’s small businesses can improve their energy efficiency, which will save money, create jobs, and reduce emissions.