# MEMO

**Date:** April 11, 2014
**To:** **Energy Trust Board of Directors**
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**From:** Oliver Kesting, Business Sector Lead
Brian DiGiorgio, Financing Specialist
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**Subject:** Staff Response to the 2013 Commercial Financing Market Research Report

In 2013, Energy Trust set out to learn more about opportunities for financing to gain more and deeper savings in commercial properties. While financing has been an industry-wide topic of conversation for the last several years, there has not been a lot of research into customer awareness of financing options and their preferences for how it could be delivered to fit their needs. This information is valuable as Energy Trust seeks ways to better serve smaller customers, and to achieve deeper savings from large customers.

Specifically, we wanted to gain insights for how to position commercial energy efficiency financing to target customers and customer types, to inform the design of pilots and eventually program offerings, and also more effectively negotiate with lending allies to develop offers. This information would also help Energy Trust develop the most effective go-to-market strategies, including how various messages resonate and would spur different customer types to action.

This detailed information was collected through in-depth interviews with a variety of commercial customers, and reported in the customers' own words. As part of the study, respondents were told about different financing options – lease-to-own, commercial loans and on-bill financing or repayment. Respondents also responded to different messages that captured motivations for tapping financing resources for energy efficiency. This research has uncovered a number of themes that will guide program design and implementation, as well as marketing, in the coming months and years.
In summary, we learned that customers become more interested in financing options for energy efficiency investments as they gained information about them during the interviews. This finding points to a market climate where Energy Trust can be a leader in working with utilities and the financial community to develop a common understanding and vocabulary of financing and its benefits. We also learned that Energy Trust's independent reputation places the organization in an excellent position to offer information about financing to customers. Of the financing designs discussed with respondents, on-bill financing, followed by on-bill repayment, were the most popular.

Respondents also said they wanted to be able to evaluate financing options at the time energy efficiency projects are proposed.

NEXT STEPS:

Program staff will be integrating findings into future program design decision-making and marketing efforts, including, but not limited to:

- Marketing collateral to help customers and Trade Allies connect with commercial energy efficiency financing,
- Actionable information and education and outreach on financing on the Energy Trust website, and,
- Testing a new lending offer to provide small- and medium-sized commercial customers a financing option at the time lighting retrofit proposals are delivered.

Energy Trust will also initiate training opportunities for facilities staff and building owners and operators. Trainings will be designed to help them evaluate energy efficiency retrofits and successfully present project proposals to internal stakeholders and decision makers. Education and outreach directed towards Trade Allies will focus on delivering the sales tools and skills to communicate the true value of energy efficiency retrofits. Efforts to re-frame the discussion away from “simple payback” towards more holistic metrics of project benefits, such as the “cost of delay,” will be a part of this education and outreach.

**Energy Trust of Oregon**

# Commercial Financing

**Market Research Results**

**January 2014**

**Research Conducted and Presented By:**

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# Energy Trust of Oregon
# Commercial Financing Market Research Report
# January 2014

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**Energy Trust of Oregon**
**Commercial Financing Market Research Study**

# I. Purpose & Method

## A. Purpose

This research report summarizes the results of twenty-eight in-depth interviews conducted for Energy Trust of Oregon among Existing Buildings customers. The purpose of the research was to assist Energy Trust in gaining a better understanding of commercial customers' needs in securing affordable financing for energy efficiency upgrades.

**Key areas of exploration included:**

- Financing attitudes and usage
- Decision-making dynamics regarding financing
- Reactions to specific financing options
- Reactions to specific financing messages
- Sources of information and communication tools for financing information

## B. Method

**In-depth telephone interviews were conducted among Existing Buildings customers:**

1. **Selection of respondents for research:** Energy Trust selected a representative list of 90 potential research respondents including private businesses, public/government entities and nonprofits. Other factors in selection included geography, own versus lease space and building use type.

2. **Respondent pre-letters:** Fifty-four (54) of the 90 respondents selected for the research received a personalized letter from Energy Trust, signed by Oliver Kesting. The letter explained that Energy Trust was conducting a research study and asked for the respondent's cooperation in participating in the research. The letters were mailed in three batches on September 24, October 7 and October 23, 2013.

3. **Completion of interviews:** The research resulted in the completion of 28 interviews. The goal was to complete 20-30 interviews.
   - The interviews were conducted from September 27-October 30, 2013.
   - Interviews ranged in length from 15 to 60 minutes with most averaging about 35 minutes.
   - All interviews were conducted by Brenda Forrest, Forrest Marketing.

**C. Research Materials:** The Appendix of this report includes all the materials used in the research including the discussion guide, pre-letter and information about non-completed interviews.

## D. Completed Interviews: Respondent Mix

The 28 completed interviews closely matched the mix of respondents Energy Trust selected for its master list of potential respondents.

| Breakdown of Completed Interviews | # | % of Sample |
|---|---|---|
| **1. By Geography** | | |
| Portland Metro Area | 19 | 68% |
| Outside Portland Metro Area | 9 | 32% |
| **Total** | **28** | **100%** |
| **2. By Segment** | | |
| Private Businesses: Own building | 10 | 36% |
| Private Businesses: Lease space | 7 | 25% |
| Public/government | 7 | 25% |
| Nonprofits | 4 | 14% |
| **Total** | **28** | **100%** |
| | | |
| **3. By Primary Building Use Type:** Respondents represented these categories: Auto services, retail, restaurant, entertainment, pet services, office, grocery, hospital, education, assembly and government municipalites, counties and agencies. | | |

**Research Caveat:** This research study was qualitative and while it provides very valuable insights regarding the financing needs and attitudes of Existing Buildings customers, the results are not projectable to the entire universe of Existing Buildings customers that Energy Trust serves in Oregon.

## II. Executive Summary

The following highlights results from each of the key topics explored in the research. More detailed summaries for each topic are in the Detailed Findings section. This summary begins with some important overall observations.

### 1. Overall observations

#### a. Information expands customer interest in financing

The research indicates that there does appear to be interest in financing and that some might implement more energy efficiency upgrades if affordable financing options are available. However, an important dynamic occurred in the process of conducting these interviews that is likely to have implications in efforts to develop a program to assist customers in securing affordable financing. Respondents' attitudes toward financing shifted from less positive to more positive as the interview progressed and more information was shared about financing.

When asked at the onset of the interview about the likelihood of financing energy efficiency projects in the future, many were very firm in saying this is not something they would ever do. However, as the interviews progressed and respondents were exposed to specific financing options, many became much more interested in financing with some even wanting to look into financing immediately for specific projects. Even those who say they're unlikely to pursue financing expressed interesting in receiving more detailed information.

This is one of the most significant findings from this research, which demonstrates how more specific information broadens customer thinking and their willingness to consider financing. Getting past an initial knee-jerk reaction needs to be an important consideration in Energy Trust's future efforts to promote financing.

#### b. Definition of "financing" varies by individual

In the beginning of the interview, respondents were asked whether they had ever financed an energy efficiency upgrade. A few of those that said yes went on to explain that they defined financing as having taken advantage of the Energy Trust incentives and/or that they financed in-house. Although this was quickly clarified in the interviews, it revealed that the word "financing" may mean different things to different people and could lead to misunderstandings in communication efforts. The term "borrowing money" seems to be a clearer term.

#### c. On-bill financing is a preferred option

The on-bill financing option was the most positively received alternative with many responding favorably to it and expressing interest in pursuing this opportunity. Discussions of on-bill financing made a difference in generating interest and demonstrating to customers that financing is possible without causing "undue monetary stress."

**d. Energy Trust must avoid confusion between its roles in financing and its current programs:** At the onset of the interviews, a few respondents immediately wanted clarification/reassurance on whether "financing" was going to replace Energy Trust's incentive program and others asked if the "financing" would be offered directly through Energy Trust. Again, this was easily clarified in the interviews, but it's important for Energy Trust to be aware of this and to know there is potential for confusion.

**The remainder of this Executive Summary highlights results from each of the specific topics explored.**

## 2. Financing Usage and Attitudes

The majority of respondents in this study (twenty-two) had not financed an energy efficiency project. And as stated on the previous page, many were <u>initially</u> lukewarm (at best) regarding the likelihood of financing in the future but warmed up to the idea as the interview progressed. It's important to note that the following summarizes respondents' initial responses regarding attitudes and experience toward financing.

### a. Those that have financed an energy efficiency upgrade

Six respondents reported having financed an energy efficiency upgrade.

- Five of these were private businesses. Two financed projects through commercial loans after making a decision that the upgrades would save them money. Both were comfortable with their decision and pleased with the results. Two other respondents financed through their building landlord. Neither was thrilled about the arrangement but it seemed the only option at the time for urgently needed improvements. One customer financed as a way to manage cash flow. This respondent shared the amount and terms of his loan but wouldn't reveal the lending source.
- Only one government respondent, a school district, had financed energy efficiency projects through a municipal lease-to-own arrangement. This district considers financing on an emergency-type basis only, in situations when there is a pressing need and no bond money available for the project.
- None of the nonprofit respondents had financed an energy efficiency upgrade.

### b. Those that haven't financed but might consider it

Twelve respondents said they might consider financing for an energy efficiency project. However, most stressed this was <u>not</u> something they would normally do and while they want to keep an open-mind about financing, it is by no means a certainty that they would do it. Of the twelve, most appeared to be unaware of financing options for energy efficiency upgrades and some said they wouldn't know where to turn to get more information on financing. However, a few had investigated financing options in the past and had rejected them for one reason or another but said they would be open to considering in the future. Responses by segment included:

**Private businesses.** Eight private businesses said they might consider financing for energy efficiency upgrades but all of them had strong requirements. These included:

- The financing would have to be an extremely good deal. This was the most frequently mentioned qualification with many stressing the interest rate would need to be low and some adding that the payback would need to be quick. One respondent went on to say that if attractive loan rates were combined with the Energy Trust incentives it might motivate him to implement more energy efficiency upgrades. Others said they would only finance if the need for the upgrade was urgent and they didn't have cash on hand to pay for it upfront.

- Among other responses from private business, a few said they didn't have plans for more energy efficiency upgrades so the issue of financing was somewhat moot for them but that they would keep an open mind if projects arise. One respondent said energy savings is a secondary consideration and not a primary objective and because of that financing would only be considered if it included some other operational benefit as well.

**Nonprofits.** Of the two nonprofits that were open to considering financing, one had previously investigated a "Pay from the Savings" financing arrangement but it was rejected because it introduced an additional layer of profit for a third-party finance partner. However, the respondent stressed they are still open to financing ideas and due to a change in management, attitudes toward financing may have changed. The other nonprofit had investigated financing for an energy efficiency project with banking institutions and ultimately decided to finance internally but is open to considering financing in the future.

**Government.** One government agency expressed some interest in financing. This respondent strongly felt that budgets were inhibiting the implementation of energy efficiency projects and that financing information would be helpful. This respondent stressed that financing options need to show how you're recapturing costs in energy savings to make it more feasible for government agencies.

### c. Those that haven't financed and are very unlikely to consider

Ten respondents said they would be unlikely to consider financing for an energy efficiency project. The respondents from private business were very firm in stating that they would never finance an energy efficiency project by choice because they prefer to avoid debt. This is in contrast to the respondents from government agencies that say their budget practices and systems prevent them from pursuing financing. Respondents provided the following reasons by segment:

**Private businesses.** Three private businesses stated they would never finance because they avoid debt and "pay for everything out of the cash we have on hand." These respondents feel that "paying upfront" has not prevented them from doing needed energy efficiency upgrades and that even if they were open to financing, if wouldn't make a difference in implementing projects. In fact, some stated that they don't have plans for more upgrades anyway. One respondent said the fact that he leases his space contributes to his lack of interest in financing because he doesn't want to invest in the building.

**Nonprofits.** Of the two nonprofits that responded negatively to financing, one said the fact that they lease their space was a primary factor in choosing not to finance and in not doing upgrades in general —"we never know when we might move." The other nonprofit simply stated their board did not permit financing of any kind.

**Government.** Of the five government agencies that were very unlikely to finance, four gave the reason that their budgeting protocols don't allow for financing. One of these respondents stated that they have put off needed energy efficiency upgrades because they didn't have the funds and couldn't finance. A fifth respondent simply said they don't need to finance—they can afford to pay upfront for any needed upgrades.

## 3. Decision Making Dynamics

### a. Identifying the ultimate decision-maker

**Private businesses:** Many of the private business respondents in this research were the actual owners of the business and stated that they were the sole and ultimate decision maker regarding implementing energy efficiency upgrades. Among those respondents that were not the actual owners, most have primary responsibility for initiating and proposing energy efficiency upgrades with many indicating the business owners often readily approved their recommendations.

**Government and nonprofits:** Most respondents have primary responsibility for initiating and proposing energy efficiency projects. They often have a good understanding of what their management and/or board will or will not approve and many rely on information from Energy Trust in preparing their proposals.

### b. Meeting financial thresholds

**Private businesses:** Many said their decision-making process is not complicated and/or that they are unsophisticated when it comes to thresholds and other "financial" aspects of the decision-making process. Many attributed this to their business being small. Some mentioned they rely on payback information provided by Energy Trust or their contractors. Specificallly, about half reported having no criteria such as payback or ROI. A few reported that they try to look at payback but don't have specific criteria. Three said ROI and payback were very important with two reporting specific payback criteria.

- Among those that have threshold criteria, a couple expressed concern that financing might result in long payback periods or that the energy savings/loan cost equation might not deliver as promised leaving them in a vulnerable cash flow position.

**Government agencies:** Many reported having payback and ROI thresholds. Many stressed the value and importance of the project evaluation information provided by Energy Trust saying it serves as the basis for decision-making.

- One government respondent explained that maintenance accounts for a large portion of costs and because Energy Trust's ROI is based strictly on kilowatt hours saved, when they add in the maintenance savings, it changes the ROI and makes it doable: "So with some of this stuff, we go ahead and do the project even though the ROI based on the Energy Trust form says it 'does not compute'. Because we know it computes in our world!"

**Nonprofit organizations:** Among nonprofits, two respondents strongly emphasized that their organizations are very bottom line or ROI driven when it comes to approving energy efficiency projects. One said they'll do it if it "pencils in 2-4 years". Another said, "If I can't show a good payback then it's not even worth taking up with our CFO." This respondent said that by combining energy efficiency upgrades it resulted in shorter paybacks, which made all the difference in getting approval. A third nonprofit expressed frustration that his management refuses to set hurdle rates and only provides the guideline that "if it makes sense, we'll do it."

### c. Desire to receive financing information, whether or not they will finance

Eight respondents stressed the importance of receiving information on financing options regardless of whether their organization currently finances energy efficiency upgrades. They stressed the importance of being informed about financing options and how their role in communicating this information to the ultimate decision-makers might have an impact on whether financing is considered. Many respondents said this early on in the interview, before specific financing options were discussed, which stimulated even more interest in receiving information.

### d. Other decision-making factors

**Earmarking special funds for energy savings**
Two government respondents were very pleased to report their organizations have successfully set up a system where money saved on energy efficiency projects is put into a fund specifically earmarked for future energy projects (as opposed to a general fund). This has had a positive impact on the ability of these organizations to implement energy efficiency projects and may have reduced their need to be concerned about financing as an option.

**Considering sustainability as a factor**
Several respondents across all segments said sustainability or being energy conscious is important in their decision-making process. Additionally, when asked later in the interview about financing messages, four respondents, again representing all segments, stressed the importance of including sustainability in financing messaging.

## 4. Lease-to-Own Financing Option

Respondents were almost evenly split between those who found the lease-to-own option appealing and something they would consider versus those who found it unappealing and something they would not consider. It's important to note that among those who might consider this option, many had concerns and questions about lease-to-own. And among that said they would not consider the option, many expressed strongly negative views about lease-to-own. Interestingly, the research did not reveal significant correlations by segment and the likelihood of considering lease-to-own or by other factors such as awareness of lease-to-own or incidence of leasing other equipment.

**a. Positive responses to lease-to-own:** Respondents with positive reactions to lease-to-own identified several reasons why this option might be worth consideration:

**No money down/little or no upfront costs:** This was the most compelling feature of lease-to-own. Respondents liked being able to do energy efficiency upgrades sooner and spread out the costs over time. A couple of respondents even mentioned specific projects that they would consider doing immediately if lease-to-own were an option.

**Positive cash flow from day one:** This attribute had strong appeal. As one respondent said, *"Frankly, I don't see how anybody would not react positively to that."* One respondent liked the positive cash flow aspect but qualified it by saying he'd have to scrutinize it, *"Because positive cash flow doesn't always mean the best deal even though it may be the best in the short term."* One respondent did say that a positive payback from day one could result in a loosening of their payback criteria. But others said this would not be a factor because they don't have strict payback criteria to begin with.

**Impact on overall business cash flow:** Lease-to-own had appeal to those businesses that operate on a cash-only basis as well as for businesses concerned about cash flow, as it could allow them to redirect their funds to other needs in the business. Some seemed interested in looking further into lease-to-own details immediately and one respondent said this has sparked him to revisit the lease-to-own option so that he can present to upper management for consideration.

**Inclusion of soft costs:** The fact that a lease-to-own contract could include many or all of the soft or out-of-pocket costs related to doing an energy efficiency upgrade was a strong advantage to some respondents. Several were pleasantly surprised to learn this feature would be included, as they would not have assumed so otherwise.

**b. Issues raised among those who said they might consider lease-to-own:**

**How to find a company that offers:** Some respondents said they would have no idea how to find a company that offers lease-to-own and stressed that it would be helpful if Energy Trust provided this information. One respondent had a bad experience with a lease-to-own company and stressed the importance of being able to find reputable companies.

**Higher interest rate:** Some expected the interest rate and/or the total cost would be higher with lease-to-own, which might be a barrier. One respondent felt a higher interest rate might be a good trade-off saying: *"I guess the advantage of lease-to-own is sometimes it's good for a company if you don't have to come out with big* *money out-of-pocket. Of course you pay a price for that–you pay a little more interest rate but you keep the cash in the company."*

**Ongoing maintenance needs:** Some raised the issue of maintenance saying it would be a strong advantage if the lease-to-own company were also responsible for maintenance and repair of the leased equipment.

**Ensuring ease of use:** One respondent liked the option because it seemed "painless" but stressed that if it wasn't easy to use, it would be a deal-breaker.

**Owned vs. leased space factors:** One respondent felt it was a more viable option for businesses that own their building versus those that lease their space. For those that lease their space, the length of time they plan to stay in the building and the investment cost of the item would be critical factors.

**Life expectancy of item:** One respondent pointed out that the life expectancy of the item being financed would be a factor in whether to do lease-to-own.

**Use for major expenditures:** There were indications that respondents tend to view the lease-to-own option as something that would only be used for "major expenditures"—those over $20,000.

**c. Negative responses to lease-to-own:** Of the respondents that rejected the lease-to-own financing option, some were adamant that they would never do this while others said it was <u>very</u> unlikely. Reasons offered for these negative reactions include:

**Stigma:** For some respondents, there is a negative association between lease-to-own and the concept of general leasing. Some acknowledge this association is irrational but it still is a trigger for some and confusing for others. There are indications that just the name "lease-to-own" is going to be an immediate turn-off for some.

**Ownership**: Some expressed a need to buy something outright and own it upfront, even though they realize that with other financing options, such as a commercial loan, they don't really own it until it's paid off.

**Relevance to their business:** Some qualified their negative response by saying that if they owned their building and/or if their business used vehicles or large equipment, they might be more interested in lease-to-own.

**Business philosophy**: Some rejected it out outright because they don't finance anything or it doesn't fit their "model" of paying for energy efficiency upgrades or that they have the money upfront to pay for things. There may be indications this reason is more prevalent with public/government and nonprofit agencies.

**Too many barriers**: Other reasons cited suggested that lease-to-own is too much work, that the leasing company will be too involved in the business, or that the lease terms are costly over time. Maintenance issues, lease and insurance obligations, and tax considerations all posed unknown costs or hassles that seem like barriers to the decision-maker.

**5. Municipal Lease-to-Own**

Public/government respondents were also asked about the municipal lease-to-own financing option. Only one respondent had experience with a municipal lease-to-own. This respondent, a school district, entered into a municipal lease-to-own agreement for energy efficiency upgrades with Municipal Asset Management (MAM). The respondent reported that they were pleased with the arrangement (see Detailed Findings for specifics and also information about MAM is included in the Appendix). The remaining government respondents seemed very unaware of municipal lease-to-own and really struggled to provide any valuable input.

**6. On-Bill Financing**

This financing concept was very appealing to respondents. And of all the financing options explored in the research, it had the most universal appeal. Some of the positive comments included statements such as, "It's brilliant" and "It's a terrific idea". Even among respondents who felt they might not use this option, they found it a good option for others. Almost no one had strong negative feelings about this concept.

Many respondents feel it makes sense to have financing for an energy efficiency upgrade tied to their utility bill because of Energy Trust's partnership with utilities and the fact that energy efficiency is so closely tied to utility usage. This "natural" logic may help in getting people to consider the option and be more open to consider financing.

**Specific appeals of OBF financing concept**

- **The "bill-neutral" or "net wash" effect:** The strongest positive about this option is that the loans are often structured to be bill-neutral, so the monthly loan payment is less than or equal to the amount of money the customer is saving because of doing the energy efficiency retrofit. As one respondent said, **"**I think the most important part of this option is that there's no undue monetary stress on the customer to purchase energy efficiency upgrades."

- **Stimulate more energy efficiency upgrades now:** Given the bill-neutral nature of this option, some commented in general on how this would allow more businesses to do energy efficiency upgrades that otherwise might not get done due to lack of budget, cash flow issues or even internal decision-making processes. Others even provided specific examples of projects they would be eager to do now if this option were available.

- **Ease of use and one bill to pay**: Many respondents felt this option seemed very easy to use, and were especially attracted to the idea they'd have just one bill to pay. Some respondents also feel this would be a "painless" way to go in terms of getting the loan because they assume whether the lender was the utility or a financial institution, the process and hassle of getting the loan would be reduced.

- **Low risk to lender and customer:** Many quickly understood that the lender, whether a utility or financial institution, would feel comfortable being repaid simply because people pay their utility bills. The fact that this option benefits both the lender and the customer with little risk to either was an important concept for many respondents. At least one respondent even said it would mean a lower interest rate because the rate would be commensurate with the level of risk to the lender.

**Concerns and obstacles**

- **Rate and terms of loan:** Some said the interest rate would be a critical factor and others said it would be important to know how long the life of the loan would be and how it impacts their borrowing costs. Some want to know when they would start saving money outright on their utility bill and not just getting the "bill-neutral" benefit.

- **Expense and accounting issues:** A few respondents had concerns about how the loan portion of their utility bill payment will be broken out on their bill so that they can keep track of and incorporate it separately into their existing accounting systems. Others simply prefer to keep their expenses separate and want separate bills. This was a serious enough concern as to be a deal breaker for at least a couple of respondents.

- **Opposition to financing:** There were a couple of respondents that just don't want any debt and wouldn't finance anything regardless of the option. It's important to note that even those less interested in this option for their own business were still positive about the concept and felt it would work for others.

**On-bill financing versus on-bill repayment**

Among private businesses, there wasn't a strong preference for either on-bill financing or on-bill repayment. Many were so enamored with the idea of having the financing included on their utility bill with the possibility of the loan being "bill-neutral" that the factor of whether it was the utility or a commercial lender providing the loan was not a primary consideration.

However, among government agencies, some did express a strong preference for on-bill financing versus on-bill repayment with some saying this could make the difference in getting internal approval. Reasons that on-bill financing was preferred included:

- It will make approval more feasible with key decision-makers. Comments included: "It's more palatable", "It's less onerous", and "It has a different connotation."
- It means we don't have to go through a competitive bid process.
- It will involve less administrative work and just be less of a hassle.
- It won't involve an extra layer of cost, which might be the case with on-bill repayment.

## 7. Commercial Loan Financing Option

All respondents were aware of this option and many had not pursued it simply because they don't finance energy efficiency upgrades. However, when asked it they might ever consider a commercial loan as a financing option, private business respondents were the most likely to say yes.

**Might consider a commercial loan:** Eleven respondents said they might consider financing energy efficiency upgrades through a commercial lender: eight of these were private businesses, one was a government agency and two were nonprofits. Reasons cited were varied but included the following:

- Have a good relationship with my financial institution
- Borrowing through a bank or credit union is a more stable source
- Prefer having my bank involved in my finances rather than another third party
- Have confidence that my bank would be willing to offer a commercial loan
- Assume that my financial institution would offer me good rates

A couple of respondents qualified their response by saying the rate on a commercial loan would have to be "an awfully good deal" and that they would also check out other financing options. One respondent said his business would consider their bank for a commercial loan but only because it's "the path of least resistance". He explained that he doesn't have time to do a lot of shopping around and that he's been with his bank for years and years and they know him. Other respondents said they would consider a commercial loan either because they had previously financed this way or had investigated the option and knew it was possible. These respondents were careful to say that they wouldn't necessarily choose this option but it would be a consideration.

**Unlikely to consider a commercial loan:** Among private business respondents who said they would be very unlikely to consider a commercial loan, one said it was too much work or "too many hoops to jump through", and two respondents expressed negative feelings about banks with one saying that banks don't really want to lend money to small businesses and the other saying banks are untrustworthy. All but one government agency in this study rejected the commercial loan option immediately. However, it was not because of a negative attitude but simply because they don't finance anything. Two of the nonprofit respondents in this research also gave the same reason.

## <u>8. Financing Messages</u>

**a. Open-ended responses:** Before respondents were read three specific messages, they were asked on an open-ended basis what message would be most compelling for their organization to consider financing for energy efficiency projects. The responses to this question were varied and broad in scope but revealed important issues.

**Messaging needs to include specifics.** Perhaps one of the most significant findings revealed is that many respondents want financing messaging to include specifics about the "offer". For those who initially find financing a turn-off, <u>general</u> messages about financing may fall on deaf ears. Just knowing that you can do it may not be enough.

- **Level of specificity:** The level of specificity desired about the financing "offer" varied. Some want messaging to include specific interest rate information and some even want information that is particular to their project, including ROI and payback. For others, saying something as simple as "competitive rates" or "it's a good deal' may be enough to pique their interest.

  **Other suggestions for financing messages included:**

  - Messaging should clearly differentiate reasons to <u>finance</u> from messaging about reasons to do energy efficiency upgrades in general.

- The impact on bottom line and cash flow.
- The ease of using financing and that resources are available to guide the business owner through the process.
- The value of getting things done now rather than wait.
- The value of reinvesting in core business.
- How financing can help meet sustainability goals.
- How other businesses have taken advantage of financing programs successfully.
- Rising energy costs.

b. **Message 1: I'd rather lower my energy costs <u>now</u> (through financing) and spread out the cost of improvements rather than wait and continue to waste energy.** Overall, this message had a positive response and of the three messages tested, it probably had the greatest appeal. It speaks both to business concerns about rising energy costs and achieving goals of sustainability. And combined with the emphasis on taking action <u>now</u>, this was a compelling message for many. Another asset of this message is simply that it is quickly understandable to respondents. Among respondents who were unsure or had a negative reaction, most felt the message was not focused enough on the bottom-line costs of running their business.

c. **Message 2**: **Having access to financing tools is a way for me to replace current equipment that isn't working that well.** This message resonated with many respondents across all segments. Many can immediately relate to it because they've been in the situation of having equipment that's not working well but are waiting to replace it until they absolutely have to. And it appears that some would replace equipment sooner if reasonable financing were available. Several commented that they realize hanging on to older equipment not only wastes energy but also costs them more in repair, maintenance and "hassle" costs. One respondent even got so excited about this that he decided to immediately follow-up with his contractor on replacing his boiler with financing. The strength of this message is that it's specific, and more so than the other two tested messages. But its specific nature may also be its weakness. For respondents who don't hold back on replacing equipment, they liked the message for other companies but didn't feel it was relevant to them.

d. **Message 3: If I finance energy efficiency upgrades, I can make more investments to my core business with the money I save on energy:** This message was neither strongly liked nor disliked. Overall, respondents had less to say about this message even when probed. By segment, it seemed to appeal more to public/government entities and nonprofit organizations than to private businesses. Among those who had a negative reaction, the message was simply not compelling enough to motivate them to consider financing. For many, this message is obvious and sort of a given for business owners. As one respondent commented, "all savings go back to the core business." A couple of respondents indicated the message has less appeal because of their inability to track savings, which makes it difficult to earmark energy efficiency savings for core business investments.

## 9. Sources of Financing Information

**a. Credible sources of information about energy efficiency financing:** When respondents were asked whom they consider credible sources of information about energy efficiency financing, it was nearly unanimous that Energy Trust is considered the most credible source of information. A few suggested contractors as good sources, and only one felt financial institutions should be the primary source of information. Reasons that Energy Trust was considered to be the most credible source included:

- **Energy Trust is a trusted source.** Energy Trust has established credibility with many and is considered a trusted source of information.
- **It's an appropriate role for Energy Trust.** It fits Energy Trust's mission and goals. Energy Trust's mission is about energy efficiency and saving energy, making them an appropriate and logical source of information.
- **Energy Trust is a neutral/objective source.** Many respondents said that compared to other sources such as financial institutions or contractors, Energy Trust wouldn't be doing this to "make a buck" or "trying to sell me something I don't need". This was a very important reason to many. Many also know Energy Trust is a nonprofit and feel this adds to their credibility.
- **Energy Trust has a proven track record in providing information.** Respondents feel Energy Trust has demonstrated its capability in providing information to customers on how to implement energy efficiency upgrades. In their mind, it is logical and efficient that Energy Trust would be the best source of providing financing information on energy efficiency upgrades.

**b. Value of timing financing options with incentive information:** Several respondents felt the financing information should be presented as part of the customer's energy efficiency upgrade assessment along with the incentives. Some say this is the logical time to do it, and that financing should be presented to customers directly. Comments also reflected a theme reflected throughout the research findings that many want financing information to be specific to the needs of their individual project. Also, throughout the interview, some respondents had questions about how financing might affect incentives; discussing both at the same time would address the issue.

**c. Most effective financing communication tools:** When respondents were asked what financing tools would be most effective for Energy Trust to provide, many respondents replied by stating that discussions of financing are complex and are likely to involve a detailed or deeper presentation before decisions can be made. Several feel that Energy Trust needs to present the information—whether it is on an individual customer basis or in larger group setting such as a webinar or conference. Some suggest a tiered communication approach so they have several opportunities to hear and digest the information. Others felt a single tool would suffice such as including information on Energy Trust's website or sending an email or direct mail piece. Overall, it appears there is no single way to educate customers about financing, and individual decision-makers will respond to the approach that is most meaningful for them.

- **How peers and others have financed:** Many respondents felt it would be valuable if Energy Trust could provide information about how peers or other companies have financed energy efficiency projects. As one respondent said: ***"****I think the more you hear about what your peers are doing, the more you're compelled to say hey, they're doing that, I should think about doing that too".*

## III. Detailed Findings

**This section provides detailed findings from the research. It is divided into seven topic areas as listed below. Each topic area begins with a summary of the topic results and is followed with respondent quotes. The seven topic areas are:**

1. **Financing usage and attitudes**
2. **Decision-making dynamics**
3. **Lease-to-own financing option**
4. **On-bill financing option**
5. **Commercial loan financing option**
6. **Messages**
7. **Sources of information**

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**The Value of Qualitative Interviewing: Verbatim comments**

This report includes many verbatim comments from respondents. The fundamental principle and value of in-depth interviewing is to allow each respondent the opportunity to express their thoughts and perceptions "in their own terms" and to report the results exactly as expressed by the respondent. Although the Executive Summary section of this report and the topic summaries offer a very useful overview of the research results, they should not be viewed as a substitute for reviewing the verbatim comments from individual respondents.

## Financing Usage and Attitudes

**Overview:** The majority of respondents (22 out of 28) had not financed an energy efficiency project. And, as stated in the Executive Summary, many respondents initially said they were unlikely to consider financing but became more open to it as the interview progressed. So when reading this section, it's important to keep in mind that these findings represent respondents' attitudes toward financing prior to being exposed to specific financing options.

**Respondent findings regarding financing attitudes and experience are divided into these three categories:**

A. Those that have financed an energy efficiency upgrade
B. Those haven't financed but might consider it
C. Those that haven't financed and are very unlikely to consider

### A. Those that have financed an energy efficiency upgrade

Six respondents reported having financed an energy efficiency upgrade.

- Five of these were private businesses. Two financed projects through commercial loans after making a decision that the upgrades would save them money. Both were comfortable with their decision and pleased with the results. Two other respondents financed through their building landlord. Neither was thrilled about the arrangement but it seemed the only option at the time for urgently needed improvements. One customer financed as a way to manage cash flow. This respondent shared the amount and terms of his loan but wouldn't reveal the lending source.
- Only one government respondent, a school district, had financed energy efficiency projects through a municipal lease-to-own arrangement. This district considers financing on an emergency-type basis only, in situations when there is a pressing need and no bond money available for the project.
- None of the nonprofit respondents had financed an energy efficiency upgrade.

### Respondent Quotes

**Private business: Grocery**
I have borrowed money from my bank to do energy efficiency upgrades and I wouldn't be at all opposed to financing again. I borrowed from the bank that I do a lot of business with. I put together all the information they needed and it went smoothly and I paid it off over time. And I later did more upgrades and borrowed money again from my bank.

I first got motivated to do financing when I took over this store from my father—he was the original owner and he started this store. Anyway the store really needed energy efficiency upgrades and a total face-lift. And so I just kind of bit the bullet and did it. I told myself it would come back to me! And it did—my business went way up after I did it. I got a loan from my bank to do new lights and new freezers. I did a lot of energy stuff when I did my first big upgrade. I also totally repainted the store and did all sorts of other stuff.  And four years later, I put in new checkout stands and new computer systems and that's done very well too. And two years ago I put in new produce cases and I financed that also. I'm in for the long haul so I wanted to upgrade.

On the lighting, I also got the incentives from Energy Trust. On the freezers I didn't. I didn't realize it was even available then so I kind of messed up on that. I'm working with Energy Trust now to do an upgrade to my compressors. Energy Trust is going to end up paying me for half of it and I'll pay half of it. That's the great thing about all this. My financing went smoothly and then it's great to work with Energy Trust and to get all the incentives.

**Private business:  Retail**

I have financed an energy efficiency project. It was a $23,000 project at one of our properties. I really can't tell you more about it other than we paid $243 a month. I would consider financing again. The reason I would is to keep cash flow—to keep my money in my pocket and use somebody else's money for a fee. The interest rate is probably more important to me than anything else. And trust is also important–-if I were to borrow money, I want to do it with someone I trust and that wouldn't be a bank.

**Private business:  Auto services**

We financed our lighting upgrade through a commercial loan. I know we borrowed the money and I'm positive it was a traditional financial institution but I can't remember the name of the company—it's been awhile. I think it was a 36-month term loan. We were pleased with how it worked out and I think there would be interest in financing again. But we don't really have any upgrades in mind at this point.

**Private business:  Retail**

When it comes to whether we have ever financed an energy efficiency project, let me tell you a story and you can determine whether it falls into the category of financing. Last summer my HVAC unit at the store blew out and I needed to get a new one and what happened was the building owners gave me two options:  they said, we're going to replace it but you can either pay for it all at once or we will pay for it now and we'll add it on to your monthly rent. So I chose to pay the building owners back over time and I'm now paying for it over the course of the next 10 years or some kind of crap like that. So I don't know if this falls into the category of what Energy Trust would consider financing. My guess is that the building owner bought a more energy efficient HVAC unit—I don't know if they used any kind of Energy Trust credits or any kind of financing on their own. They actually purchased it but I'm paying them back. I lease my space here and if I were to leave this building, the owners would still own the HVAC. I can't take it with me.

There was nothing that appealed to me about this so-called financing arrangement with my landlord. It was just one of those things I had to do. I suppose I could have tried to write them a check for $8,000 or whatever it was. But then I would lose all that liquidity in my business that I'm using to buy more stock for my store and do things like that. So instead I chose to pay them $200 a month over the course of the next 10 years. On the flip side of this is that if I move or if I close my business, I don't have to pay for it anymore. And if I had bought it myself, I wouldn't be able to take it with me anyway. So whoever moves into this space after me is going to get a brand new HVAC!

I've been lucky enough or dumb enough that I've never needed financing for anything. And I know a lot of people use financing for things—well a lot of people have lines of credit open all the time or they just constantly use credit and pay it off later just to keep cash on hand. But if I ever needed to do that, I would probably try to finance it. For me specifically, I don't know what that would be. Because I don't have a lot of things in my store that suck up power other than the lights or my computer. But I'm open to looking into financing options. And I suppose I could have borrowed money from a bank or whatever for the HVAC unit instead of paying the building owners.

Generally speaking, I think financing energy upgrades is going to be more appealing to those who own their building versus those who lease. I'm trying to think of things I could take with me if I moved. I recently did the lighting upgrade through Energy Trust and I guess I can take the light bulbs and the cans but I couldn't take the track with me.

**Private business: Pet services**

We have financed an energy efficiency upgrade. Well, we kind of financed it. It wasn't though a bank. It was sort of through our landlord. It was for the lighting project we recently did. Our landlord loaned us the money and then we put it on our credit cards. So we had to borrow the money. We couldn't have done it without borrowing the money. In fact we still owe our landlord a lot of money because there was some confusion—they did multiple projects at the same time and there was some confusion in the way they billed us so we still owe them some money. But yes, we borrowed money and we used credit cards. We got motivated to do it this way because we thought it would give us a lot benefit. The lights were old and we figured they were going to be going out soon and it would be better to try and do it now before it's an emergency. We figured we'd be able to pay it off in a certain amount of time and we just wanted to get it done. And we're just energy conscious anyway. We had a little bit of concern about the interest rates on the credit cards. But at the same time we felt the improvements would be worth it.

There's actually more energy efficiency things we'd like to do. We'd really like to get solar panels. We actually talked to someone about it this week but it's going to have to wait until we pay off some of this other stuff. (Note: Later in the interview, this respondent became very excited about the lease-to-own option saying it might allow them to do their solar panels now.)

We have also tried to borrow money from a bank. But it wasn't for an energy efficiency project. When we first moved into this building, we tried to borrow money from a bank to do some improvements to make the building ready for us and we found them very difficult to work with. We also talked to the Small Business Administration for their small business lending and we also found them very difficult to work with because unless you have an accountant or you are an accountant, their paperwork is daunting. With the

SBA, to borrow some money from them, it doesn't matter whether it's $2,000 or $200,000, there's like a 40-50 page thing you have to fill out and with us not being accountants, it's just overwhelming. We don't have a strong grip sometimes on the financial end of things, at least not enough to fill out that kind of paperwork. So when we did the energy efficiency upgrades, we did not consider going through the bank because we figured it would just be another headache. The banks aren't as happy to lend money as they say they are unless you have a lot of money!

**Public/government: Schools K-12**

We financed some of our energy efficiency projects this summer. It was not money the District had sitting in the bank. It was all financed through a municipal lease-to-own arrangement.

I would say typically financing is only done on an emergency type basis. School funding is obviously a little bit out of the District's control—what they might be able to afford this year may not necessarily be available next year at the same level. And that's definitely one major concern that any school district would have: Can they actually fulfill their obligations if they don't control their income. But if there is no other option, if there is no bond money available and they have a pressing need and they think there is a way to do it, then yes districts would be interested in financing. They are very cautious because they don't want to get themselves in a situation where they end up looking bad to the public and their district. But they are just trying to get projects done that need to be done: the ones that are necessities not just because they save operational dollars but because of student comfort and students being able to function better in the classroom.

I don't think the District is overly concerned about how the public reacts to them using financing. But that's partly because typically the public may not even know about it. I guess somebody could have easily asked and may have asked how are you guys paying for this now but you know most people don't really understand how schools get their money. They think that okay you get a bond and it will pay for more money for teachers and no you can't. There's a lack of real understanding of how school financing works. But no I didn't hear any concern about the public worrying about the financing. I would imagine that if there been a prior loan in some years past and that didn't go so well that could be a different story but it wasn't the case here.

## B. Those that haven't financed but might consider it

Twelve respondents said they might consider financing for an energy efficiency project.

However, most stressed this was not something they would normally do and while they want to keep an open-mind about financing, it is by no means a certainty that they would do it. Of the twelve, most appeared to be unaware of financing options for energy efficiency upgrades and some said they wouldn't know where to turn to get more information on financing. However, a few had investigated financing options in the past and had rejected them for one reason or another but said they would be open to considering in the future. Responses by segment included:

**Private businesses.** Eight private businesses said they might consider financing for energy efficiency upgrades but all of them had strong requirements. These included:

- The financing would have to be an extremely good deal. This was the most frequently mentioned qualification with many stressing the interest rate would need to be low and some adding that the payback would need to be quick. One respondent went on to say that if attractive loan rates were combined with the Energy Trust incentives it might motivate him to implement more energy efficiency upgrades.
- Some said they would only finance if the need for the upgrade was <u>urgent</u> and they didn't have cash on hand to pay for it upfront.
- Some said they would only finance if the energy efficiency upgrade involved a substantial amount of money.

Among other responses from private business, a few said they didn't have plans for more energy efficiency upgrades so the issue of financing was somewhat moot for them but that they would keep an open mind if projects arise.

- One respondent said energy savings is a secondary consideration and not a primary objective and because of that financing would only be considered if it included some other operational benefit as well.
- One respondent mentioned that he's open to financing but his parents (the owners) are opposed to it. He described this as a "generational difference".

**Nonprofits.** Of the two nonprofits that were open to considering financing, one had previously investigated a "Pay from the Savings" financing arrangement but it was rejected because it introduced an additional layer of profit for a third-party finance partner. However, the respondent stressed they are still open to financing ideas and due to a change in management, attitudes toward financing may have changed. The other nonprofit had investigated financing for an energy efficiency project with banking institutions and ultimately decided to finance internally but is open to considering financing in the future.

**Government.** One government agency expressed some interest in financing. This respondent strongly felt that budgets were inhibiting the implementation of energy efficiency projects and that financing information would be helpful. This respondent stressed that financing options need to show how you're recapturing costs in energy savings to make it more feasible for government agencies.

**<u>Respondent Quotes</u>**

**<u>Private business:  Retail</u>**

As far as financing energy efficiency projects, well yeah, it's always an incentive if low interest financing is available. I'm not aware of financing options for doing energy efficiency upgrades. No, the only options I was aware of in the past were tax incentives and things like that. But you know, the dollar incentives from Energy Trust combined with attractive loan rates or attractive interest rates would probably help stir customers like me towards making a change. So I might consider financing but it would depend on the amount of money I had to borrow and how cheap the money was and the length of the payoff. Those would be the big factors. If I were going to do financing, I'd be most comfortable by asking my bank about it.

I should also say that we're really not interested in changing too much here in terms of energy efficiency upgrades. I didn't have a problem doing that lighting upgrade. I do have an older furnace that could potentially be more efficient. But other than that we're limited to what we're willing to consider changing. Our building is 100 years old and that's a factor.

**Private business: Manufacturer/retailer**

We haven't ever considered financing for an energy upgrade. We just did a lighting upgrade here. But we had the money for it and we paid the bill. I guess we might consider financing. I mean If we didn't have the money for a project and we knew it was going to save us a lot of money and that it would start paying back right away, we might consider it. I'd have to say it would only be if we were in a pinch. As an example, I got a letter from Energy Trust that said they were going to stop making T12 fluorescent lamps and we wouldn't be able to buy them anymore. Well that's all we had and so if we didn't do something quick, we'd be in a pickle! And so we knew we had to do it and I just thought the sooner the better. So we just dove in and did it. And I think that if we hadn't been able to afford it at the time, I could have talked the owners into financing. All the people at our company are really interested in energy savings.

I wouldn't know where to turn for financing. I would have to go online. I suppose the first thing I would have done is go look into the State of Oregon's website to see if they had any energy deals. I know when we bought this building, the owners simply went online and compared rates for different mortgage companies and picked the one they thought offered a good deal.

**Private business: Retail**

I did a lighting upgrade at one of my stores and I'm done for now with doing any upgrades. The project I did cost me $4,000 upfront and I got a couple thousand dollars back in terms of a credit. So we're not talking about a big chunk of money and I was able to pay for it. If I were to do upgrades at my other stores, I don't know if I'd be interested in financing. Generally speaking, if there were large amounts of money involved maybe I'd consider financing. But to be truthful, I'm not that interested unless of course the financing were free and you could make payments over 12 months or 24 months with no finance charge, that would be an incentive. But if I were just borrowing money to make the payments, I could do that myself—I mean I could borrow it on my credit card and just make the payments. So the financing would have to be very attractive. If it were a really good deal, I would consider it. But again, there's nothing I'm putting off doing right now because I can't afford it.  So the issue of whether to consider financing isn't really that relevant for me.

**Private business:  Grocery**

We haven't financed an energy efficiency upgrade per se. What we have financed is a larger remodeling project and part of that project included energy efficiency upgrades but the remodeling project financing wasn't specifically for the energy efficiency upgrades.

I'm hesitant to say we'd be interested in financing an energy efficiency upgrade on its own but I'm going to say yes. It would depend on the scope of improvements and the absolute cost of the improvements. I'm also hesitating to say whether there would have been upgrades we might have done if financing were available. But you know, it's just something I wouldn't have thought of—to just get financing for an energy upgrade alone. And now knowing that might be an option, I would say yes, we'd be interested.

**Private business:  Entertainment**

In general, we don't finance things. We have never financed an energy efficiency project. The real answer to the question of whether we would consider financing is what does the money cost. If the cost of the money was less than what we generate with our revenue then we would look at that. But again, I want to stress that in general we don't finance things. Like a normal business we have a line of credit and those kinds of things and borrowing through our assets through the bank. But for energy efficiency type of projects, we pay for them out of cash flow.

**Private business:  Office**

We have never financed an energy efficiency upgrade. Our company would probably not consider financing unless there was some other operational benefit as well. And I'll give you an example of how the energy savings would be a consideration but it wouldn't be a primary objective. The example would be thin client terminals for a call center where the savings is really from a hardware perspective—you know you can put the thin clients out there and you're not supporting as many individual work station PCs. The result is you don't have as many computers running and your thin clients are far more energy efficient. We might finance that type of a project but energy efficiency would almost always be a secondary consideration and not the primary reason for financing.

I'm not really aware of financing options. But I'm in Operations Management and not necessarily in the finance department although I do work with them very closely. So our comptroller may be aware of other things that I'm not. In my discussions with Energy Trust and our contractor through the energy study we did, any talk of financing on Energy Trust related projects was not brought up. We talked about the incentives that Energy Trust could offer but not anything else related to the costs that we would bear. My initial reaction to the idea of financing is that if try to finance something that's supposed to be a savings, the amount that you're saving has to be at least as much as the amount that you're paying for interest. So whatever your ROI is over your given period, if I'm in a company that looks at a 5-year ROI, I'm going to want to put that on balance against whatever interest would accrue on whatever we would have in that financing arrangement. I think the appeal of financing is going to vary from organization to organization. And I wouldn't be surprised to learn that financing is going to be an immediate turn-off for some private businesses. It's going to take a very special "deal" to meet some people's criteria.

If we got to the point where we really needed to consider financing, we'd probably look at doing it through a bank or credit union. But again, it would have to be an extremely good financing deal for our comptroller to consider it.

**Private business: Retail**

We haven't financed an energy efficiency upgrade. We did our lighting project and we got rebates from Energy Trust. But that project wasn't even big enough to worry about financing. We're a pretty small company and I don't have a huge building or anything that needs to be redone. I suppose, if it was a project that I had to do, I might consider financing if I didn't have the cash on hand. I know some of the energy upgrades can get pretty spendy. I guess I would say I'm not opposed to the idea of considering financing.

This may sound funny but my biggest barrier to financing is simply that I don't want to do it unless I have to! To get me to do it, somebody better show me the cost savings and how long it's going to take to get my money back. Whether it's fixing lighting or whatever, if I can have the promise that there's money to do stuff and that it's going to pay for itself versus is it just an expense I'm going to have pay.

**Private business: Restaurant**

At the moment, I can't do financing. Actually, financing just doesn't fit with my type of business and the nature of my business. I would say that is true for many restaurant businesses. The fact that I lease my space doesn't have anything to do with why I wouldn't finance because I can always sell my restaurant and just move out.

The rebate program from Energy Trust is fantastic. When I bought my new fryer, it was more than I wanted to pay but I knew money was coming back to me through the Energy Trust rebate so that attracted me honestly. I think it took less than two months for me to get my check and customer service was very nice. It's possible I might want to buy other energy efficiency related equipment that would be more expensive than my fryer. I suppose I might consider financing if I had to. It would be very important to me that the Energy Trust rebates wouldn't go away if I financed. Financing would be best if it were on top of the Energy Trust rebate. It might make me do something sooner rather than waiting.

**Private business: Retail**

My father and mother are the owners of our three stores. We have different opinions about financing. I'm interested in financing for energy efficiency related projects. But my father is of an age where that age group just likes to pay cash. I, on the other hand, being younger, would see some benefit in financing. So I would say our differing attitudes toward financing is more of a generational thing. That's why we're doing our lighting upgrades through Energy Trust in three phases. We only do what we can afford to pay for at the time.

Last year we considered expanding and we did look at financing from our bank and found out they would offer us financing. We decided not to expand at this time but we know we could get financing if we decided to go that route. So my parents were willing to look into financing on that and now I feel we know we could also get financing for energy efficiency upgrades if my parents change their mind. We've done the SBA before and we will never do that again—we'll never make that mistake again!

**Nonprofit: Hospital**

We have never financed—at least that I'm aware of. We did bring it up once to our finance people. It was for a relatively large energy efficiency project that we were having trouble getting off the ground in our normal capital funding process. So we investigated a paid program where we would pay for the project through the energy savings with one of the large firms that's out there that offers that kind of thing. They're a technology provider and a service provider, and they offer a finance option called "Pay From the Savings" or something like that. So we investigated that and presented it to our finance organization and basically heard that they didn't want to do that because it introduced another layer of profit for somebody and therefore cost. And they felt it would make more sense for us to fund it ourselves, which logically it does. However, the project hasn't been implemented yet. It's still on the list for internal funding. So it's delayed. However, we're still "paying" for it. I know and certainly Energy Trust knows that you're paying for it whether you want to or not through your higher energy bills. Anyway, the simple answer to your question is, no we haven't financed an energy efficiency upgrade but I think there still remains some opportunity particularly if it does not introduce an additional layer of profit cost and complexity for some third-party finance partner.

In addition to the specific financing idea I just mentioned, I've also brought up the idea of financing a few years ago to our leadership and it was rejected. But talking to you is reminding me that our CFO and management team have changed since then and I need to refresh myself on financing options and maybe present to the new team.

**Nonprofit: Hospital**

We haven't borrowed money to do an energy efficiency project but are in the process of "financing" a 2-year extensive project that includes lighting, chiller optimization, and other controls. When I say we're financing it, I mean we paying with our own capital in-house. In terms of financing by borrowing money from someone, we're open to that too. We do look at those things to see if there's any validity to it. We keep our minds open to different options. In fact, with these energy upgrades we're doing now, we did talk to a couple of banks before we decided financing internally was best. Luckily, my CFO is very savvy about financing and what he can do and how he wants to do it. However, I've worked in facilities management at other organizations where that wasn't the case.

You'd be surprised how uninformed some CFOs are about financing options. And when you're going to the C-suite to sell an energy project, it's really helpful to be able to say here are some options to finance this, here's our payback, so on and so forth. I've been in situations at other organizations where I could have probably sold energy projects if I had more information about financing options.

**Public/government: Municipality**

We haven't financed an energy efficiency upgrade. But I think it would be safe to say that the political government of our city would be interested in looking at financing. Budgets are the biggest barrier to getting these energy efficiency upgrades done. Budgets are always an issue with any municipality or agency. And we all look forward to additional ideas that might help us make additional improvements.

I think providing information about financing for energy efficiency upgrades is a good idea. A lot of agencies don't have the budget to do these things and it could enable them to improve some of their infrastructure.

I think it's important to show people how by investing or financing they can make their energy more efficient. In my thought process, what I think gets people to see that vision a little clearer is to show them how by financing, the dollars they save in that efficiency can offset the dollars they spend to upgrade or improve their facilities. I think the financing needs to be designed to show how you're recapturing the costs in energy savings. I think documenting that factor to a political government is going to make it more feasible.

## C. Those that haven't financed and are very unlikely to consider

Ten respondents said they would be unlikely to consider financing for an energy efficiency project. The respondents from private business were very firm in stating that they would never finance an energy efficiency project by choice because they prefer to avoid debt. This is in contrast to the respondents from government agencies that say their budget practices and systems prevent them from pursuing financing. Respondents provided the following reasons by segment:

**Private businesses.** Three private businesses stated they would never finance because they avoid debt and "pay for everything out of the cash we have on hand." These respondents feel that "paying upfront" has not prevented them from doing needed energy efficiency upgrades and that even if they were open to financing, if wouldn't make a difference in implementing projects. In fact, some stated that they don't have plans for more upgrades anyway. One respondent said the fact that he leases his space contributes to his lack of interest in financing because he doesn't want to invest in the building.

**Nonprofits.** Of the two nonprofits that responded negatively to financing, one said the fact that they lease their space was a primary factor in choosing not to finance and in not doing upgrades in general —"we never know when we might move." The other nonprofit simply stated their board did not permit financing of any kind.

**Government.** Of the five government agencies that were very unlikely to finance, four gave the reason that their budgeting protocols don't allow for financing. One of these respondents stated that they have put off needed energy efficiency upgrades because they didn't have the funds and couldn't finance. A fifth respondent simply said they don't need to finance—they can afford to pay upfront for any needed upgrades.

**Respondent Quotes**

**Private business: Retail**

Financing is not for us. We avoid debt. We don't take out any business loans. We like to pay things off as they happen. We just write a check for the balance. That's what we did with our lighting project and what we do with everything.

Offering financing wouldn't make any difference to us. It would be a waste of time to even have you tell me about the financing options. There is nothing that would motivate us to finance. And the other thing is we don't have any more energy efficiency upgrades we plan on doing anyway. There's just not a whole lot more energy draw that we have here. The largest project we even had to do, our lighting, is already done. The only other potential project we sort of identified is maybe the outside lighting but we only have 12 lights outside. We've got the big halogen type bulbs out there and we're thinking of changing them to LEDs. But we've got some coding issues we need to check on first with angling the lights and getting them away from the road. But if we do that, we wouldn't finance it.

**Private business: Retail**

We don't have plans to do any more energy efficiency projects but even if we did, we would never finance. We've completed all our energy efficiency upgrades in Oregon. We did a rollout for retrofit projects for our whole company across the nation. And now we don't plan to do any more upgrades for years and years at any of our stores. But financing just doesn't work for us anyway. It doesn't work for us just because of the way our internal budgets work. It just wouldn't have been effective for us to constantly finance and then roll over the monies for our internal auditing. And especially because we outsourced the work, it's just better for us. Since we don't do the work ourselves, we have to pay someone to do it. We hired outside companies to do everything for us on the retrofits—to do the evaluations and manage it all. It was a one-time deal and we're finished.

**Private business: Restaurant**

Financing is just not an option for us. I want to state that very firmly. Actually, it's not really that it's not an option—it's just not something we want or need to do. We're celebrating 22 years and we have a nice little operation here but most of the stuff we buy here is so small it's just kind of consumed within the business. We pay for everything out of the cash we have on hand. That's the way we run it here and it works for us.

The other factor is that we lease our building. So for us it's a little bit different because we're not directly responsible for maintaining a lot of stuff. The owner of the property is. And we don't want to invest a lot in a building we don't own. But also, we're such a small place, we just don't need to buy that much or do many energy efficiency upgrades. Let's say I wanted to buy some new refrigeration units, well we wouldn't need financing on that because we just support ourselves on that and just flat out pay for it.

We don't feel we're putting off any needed energy upgrades by not financing. As a matter of fact, we've upgraded a lot of things within the last year and a half and I really feel that we're done with about all we can do here as far as trying to maintain a nice atmosphere without spending a lot of money on excess electricity. We did change our lights in the restaurant and bar to LEDs and we got a break on that from Energy Trust. That's the only thing we've done with Energy Trust. And the only reason Energy Trust was involved was because our lighting contractor signed us up for the Energy Trust program. The lights weren't something the building owner was going to pop for but we wanted to do it to cut down on our electricity bill. So we paid for it ourselves. And when we signed a new lease, one of the deals we got was two new HVAC units that were energy efficient. So that was lumped in with our lease.

**Nonprofit: Retail**

We have not financed. We're renters so we don't have the investment in the building and there's always the possibility that in a couple of years we would need to move, not because we want to but because conditions changed or something. So when it comes to financing, if we owned the building, we might really be thinking like that but not right now. My question would be or my general take would be, how would financing apply to an organization that rents? Aside from the renting issue, my gut feeling is that I think nonprofits like me are going to be initially opposed to the idea of financing.

There haven't been energy efficiency upgrades we didn't do because we didn't have the money. I would say the big reason we haven't done them in the past is because we didn't know if they would pay off before we moved and we didn't know when we might move. Actually when we did the lighting, we realized that theoretically we could move before it pays itself off but hey, somebody else is paying for it so we don't care and also it does look like it pencils out so we'll probably still be here by the time it's saving money.

The closest we got to financing was we just got a bucks-for-buildings kind of thing to redo all the lights so we essentially saw that as an energy efficiency grant because it didn't cost us any money and all funds went directly to the contractor essentially. I can't remember exactly how we set it up or what the exact program was but we just finished it a few months ago.

**Nonprofit: Assembly**

I want to tell you upfront that we don't finance <u>anything</u>. We're a nonprofit and every one of our 50 Board members is pretty adamant about we don't take on debt! If you don't have the money for it and if somebody won't write a check for it, we typically don't buy it.

If we need to amortize something over a period of time, we do it via pledge. We hold our own paper in other words. We typically do not borrow money. And that's not just for energy efficiency projects, it's for any investment we make.

I suspect if we were for-profit, we might finance. But we're nonprofit and probably 60% of our budget comes from somebody else's pocket—not from the gate or not from concessions of any kind. It's just flat out philanthropy either from donor organizations or from private individuals. And because of that, we have to be pretty transparent. Every one of those people wants to know where and how we spend our money. So when we can tell them we have a balanced budget and we don't run in the red for any reason, they're more apt to write the check.

We'd love to think that all nonprofits can operate the way we do but we know that some of them just can't. I can understand that other nonprofits have got to be a little bit more flexible. I can imagine school districts or bigger institutions are constantly looking for creative ways to finance and having more options would be helpful for them. Even though I'm saying financing isn't for us, I want to stress that coming up with money is a very steep hill—it's a very steep hill.

**Public/government: Assembly**

We have never financed an energy efficiency project. And I can tell you they won't be financing here. Maybe organizations out in the private sector would finance but not here. We're a government agency. The reason we wouldn't finance is that things here are based on the budget and the budget constraints and what they provide for. Most of the projects we have for energy savings would be titled under our construction budget and we would just pay for those out of bonds or out of the budget we have already. We're part of Metro so we're a semi-government organization and that's how we operate.

**Public/government: Municipality**

Financing is not something we do. It's a hard thing for us to do because we're a public agency. Normally everything has to be put into a budget—two years down the road, one year down the road, five years down the road to spend money for projects. You know, when you're dealing with public money, everything is so structured in the procurement system and how we do business that our options are pretty limited. I don't see financing working for us.

In the past we had the BETC program. But that sort of dried up and then our difficulty was trying to find pass-through partners. So we always had to forgo the BETC partners because a long time ago, different banks and different organizations would be a BETC partner and they would get the 75 cents on the dollar or whatever to assume our tax benefits but that all went away and so now we're only dealing strictly with the Energy Trust incentives. And we've benefited from the Energy Trust incentives by a few hundred thousand dollars.

**Public/government: Municipality**

We haven't financed an energy upgrade project and being that we are a government, it probably wouldn't work for us. Typically we plan and then budget accordingly and so therefore, no, we haven't financed. It doesn't fit with our system but I can see there being value to it out in the open market for a business that doesn't have the upfront cash to do it and could just pay it back as they're saving the money on their energy—that definitely seems like it would work. But I don't know that it would work out for us. I do feel there are energy efficiency projects we would have done if we had the money on hand but I don't think financing those projects would be the answer for us.

**Public/government: County**

No, I can say we have not financed an energy efficiency project. I'm struggling to figure out how financing would work within our budget system. I don't think it will. The direction I have to work under is that I have to budget for what I want to do and if it's not in the budget I can't do it. That is hard and fast. It's just the way we have to operate. Because we have to answer to John Q. Public and you have only have so many tax dollars coming in so you have to stay within budget. So we don't finance anything and I think it would be a bit of a challenge for us to make that work within our budgeting system.

I am aware of some financing options for energy efficiency upgrades. Previously I was a contractor and some of the supply houses saw the need for that. Although I never did get personally involved in that, I did know it was out there as an option to offer up to customers to do financing from the lighting vendor. I don't know specifically how it worked but the way I understood it was it was more or less a loan for the amount and then there were simple payback terms. It was an interesting concept. It came out a number of years ago.

**Public/government: Public agency**

If this phone call is about financing issues and options, I want to say upfront that we don't finance and whatever options might be offered won't make a difference to us. Funding energy efficiency projects is not really an issue for us. When we have energy efficiency projects that need doing, we do them regardless. We have the money to do it. And we may be unique in that regard and it may be different five years from now for us. But right now financing is not something we do and it's the least of our worries. Our biggest issue is manpower. It takes time to put together a scope and all of the pieces for an energy efficiency to get done.

## Decision Making Dynamics

The decision-making summary is divided into five topics, with additional analysis by segment:

1. Identifying the ultimate decision-maker

2. Meeting financial thresholds
3. Desire to receive financing information, whether or not they will finance
4. Earmarking special funds for energy savings
5. Considering sustainability as a factor

The respondent comments are based on the initial discussion of decision-making factors. As the interviews progressed and respondents were exposed to specific financing options, they were able to provide more input on how certain options might affect their decision-making, which are detailed in other sections of the research findings.

### 1. Identifying the ultimate decision-maker

**Private businesses:** Many of the private business respondents in this research were the actual owners of the business and stated that they were the sole and ultimate decision maker regarding implementing energy efficiency upgrades. Among those respondents that were not the actual owners, most have primary responsibility for initiating and proposing energy efficiency upgrades with many indicating the business owners often readily approved their recommendations.

Exceptions included one respondent in a large growing company. While he has primary responsibility for proposing projects, financing issues are managed by another department, making the decision-making process more "bureaucratic" for this customer. In addition, one small business owner reported that his decision-making is influenced by the fact that he leases his space, making him less interested in investing in upgrades for a building he doesn't own.

**Government and nonprofits:** Most respondents have primary responsibility for initiating and proposing energy efficiency projects. They often have a good understanding of what their management and/or board will or will not approve and many rely on information from Energy Trust in preparing their proposals.

### 2. Meeting financial thresholds

**Private businesses:** Many said their decision-making process is not complicated and/or that they are unsophisticated when it comes to thresholds and other "financial" aspects of the decision-making process. Many of these respondents were small businesses and attributed this to their business being small. Some mentioned they rely on payback information provided by Energy Trust or their contractors.

- About half reported having no criteria such as payback or ROI. A few reported that they try to look at payback but don't have specific criteria. Three said ROI and payback were very important with two reporting specific payback criteria. One said: "In general, if it's over 3 years, we're not going to look at it. If it's less than 3 years, we look at it. And if it's less than 2 years, we just do it!" Another said that their strategic plan calls for expansive growth and because of that they want a quick return on investment–-5 years or even less.

- Among those that have threshold criteria, a couple expressed concern that financing might result in long payback periods or that the energy savings/loan cost equation might not deliver as promised leaving them in a vulnerable cash flow position.
- One retail respondent described how he's successfully "financed" the store merchandise he purchases by taking advantage of special or attractive terms offered by his vendors. In his mind, for energy efficiency financing to be appealing, it would have to be a similarly advantageous offer.

**Government agencies:** Many reported having payback and ROI thresholds. Many stressed the value and importance of the project evaluation information provided by Energy Trust saying it serves as the basis for decision-making.

- One government respondent explained that maintenance accounts for a large portion of costs and because Energy Trust's ROI is based strictly on kilowatt hours saved, when they add in the maintenance savings, it changes the ROI and makes it doable: "So with some of this stuff, we go ahead and do the project even though the ROI based on the Energy Trust form says it 'does not compute'. Because we know it computes in our world!"

- Another government respondent stressed the value of the audits done by Energy Trust and suggested leveraging the audits to encourage financing.

**Nonprofit organizations:** Among nonprofits, two organizations strongly emphasized that their organizations are very bottom line or ROI driven when it comes to approving energy efficiency projects. One said they'll do it if it "pencils in 2-4 years". Another said, "If I can't show a good payback then it's not even worth taking up with our CFO." This respondent said that by combining energy efficiency upgrades it resulted in shorter paybacks, which made all the difference in getting approval. A third nonprofit expressed frustration that his management refuses to set hurdle rates and only provides the guideline that "if it makes sense, we'll do it."

### 3. Desire to receive financing information, whether or not they will finance

Eight respondents stressed the importance of receiving information on financing options regardless of whether their organization currently finances energy efficiency upgrades. They stressed the importance of being informed about financing options and how their role in communicating this information to the ultimate decision-makers might have an impact in whether financing is considered. Many respondents said this early on in the interview, <u>before</u> specific financing options were discussed, which stimulated even more interest in receiving information.

Of the eight respondents, four were government agencies, three were nonprofits and one was a private business. Comments included:

- One said it would give him the opportunity to include financing in his energy efficiency proposals, which in turn might "push up more energy efficiency projects to top management that might otherwise not be considered based on ROI alone".

- Another suggested more financing information might encourage the Board to change its policy on financing. He also said, "I want to know when it gets to the point where it's an offer we can't refuse."
- A third said financing information might be especially helpful in getting approval to implement projects that aren't absolutely critical but that would generate savings.
- Two suggested that it would be valuable if Energy Trust included financing information along with the cost/benefit analysis it does for customers on specific energy efficiency projects saying this might be the most effective way to encourage key decision makers to consider financing before rejecting projects.
- Others simply said it's an important part of their role in proposing energy efficiency upgrades to be able to provide information on all funding sources available regardless of current attitudes in their organization about financing.

**4. Earmarking special funds for energy savings**

Two government respondents were very pleased to report their organizations have successfully set up a system where money saved on energy efficiency projects is put into a fund specifically earmarked for future energy projects (as opposed to a general fund). This has had a positive impact on the ability of these organizations to implement energy efficiency projects and may have reduced their need to be concerned about financing as an option. As one said: "We now have this bucket of money that we have hardly tapped into." A third nonprofit respondent said they tried to set this up but it was rejected much to his disappointment.

**5. Considering sustainability as a factor**

Several respondents across all segments said sustainability or being energy conscious is important in their decision-making process. Additionally, when asked later in the interview about financing messages, four respondents, again representing all segments, stressed the importance of including sustainability in financing messaging.

**Respondent quotes are divided into 3 segments:**
**A. Private businesses**
**B. Public/government**
**C. Nonprofits**

## A. Respondent Quotes: Private Businesses

**Private business: Grocery**
I make all the decisions here. You know when I financed some of my upgrades such as the freezers, I didn't even calculate what the payback would be. I went from freezer coffin cases—the ones that are waist high and the air flows up and out of it and there's no doors or covers on it and I went to upright with doors and so I knew it would be much more efficient than what it used to be. It was a no-brainer. And my power bill definitely went down after I did that. But I don't have payback criteria and I don't calculate my ROI. No, I totally don't do any of that.

**Private business: Retail**

I'm just a little guy with 4 retail stores. I make all the decisions. Here's how I operate in terms of buying my musical instruments: I buy stuff from my suppliers and they'll say to me if you buy $30,000 worth of musical instruments, we'll give you six months to pay with no finance charges. And I say, okay, I'll do that. Because I might prefer to buy only $20,000 worth over six months but I'll buy a little extra if I get special terms and if it's an attractive financial proposal. So I think for energy efficiency financing to be attractive it would have to be a similarly attractive offer structured through a financing company of some kind.

**Private business: Retail**

I know I'm laughing when you ask these questions about my decision-making criteria including payback and ROI, but unfortunately I am not nearly as sophisticated as that! I completely understand where that comes from but you know I'm just a small business. We've been open for 8 years but we're small. And I know I need to think more about financial stuff like that but I don't. I mean as I get deeper and deeper into this business, maybe stuff like that will be more and more on my mind. But right now things are pretty simple for me. I don't have a lot of debt so it's one of those things that I don't deal with and I try to put myself in the position of not having a lot of debt. Obviously there's the HVAC I'm paying off but other than that and my credit card, I don't have any loans, I don't have any leases, I don't have anything like that.

**Private business: Retail**

I'm the owner and I make all the decisions. I don't have thresholds or guidelines about how long it's going to take me to pay back. No, I don't have anything like that. Of course I'm just leasing my building at the moment so the only reason I did the lighting upgrade in the first place was because basically I got the rebate for the entire thing. I don't own the building so I wouldn't have done it if I hadn't gotten the money back. I've got a lease that's up in a few years and I don't know if I'm going to be here after that. So I'm not going to pay out of my own pocket for getting new furnaces or new lighting systems. It's not my building. That's up to the owner to do. I'm not going to spend money on it.

**Private business: Retail**

My wife and I are the owners and we make all the decisions. We talk about it jointly but it's just the two of us making decisions. We look at return on investment—absolutely! That's very important to us. I got a great ROI on my lighting project. I saved a substantial amount of money on my lighting project and I think that was a good move. It paid for itself in a year and a half. So for me to do that it was logical. My lighting is probably one of my largest bills so it was the one that was got the most attention. If I were to finance something, I'd be concerned that it would be mean the ROI might be real long. If the payoff is 10 years, there's no way I'm going to look at it. But if the financing were a wash right away with the energy savings, I think people like me would be happy with that. We're not paying any more and in the long run we're going to save.

**Private business: Restaurant**

I'm the owner of the restaurant along with my two friends. The three of us make the decisions. It's not complicated. We don't have specific payback criteria and stuff like that. As I said earlier, we pay for everything with cash we have on hand. When we did our lighting, we actually did quite a bit of research with help from our lighting contractor. They helped us make the decision and analyze the situation. They figured out the costs and our needs. They looked at things like the fact that we're open for about 12-13 hours a day and how we could be more efficient by adopting a new lighting program that was also a little softer and more inviting to our customers. It really worked out well and I'm glad we did it. At the time if was a fairly big chunk of change for us but you know you spend money now not to spend money later—that's not a bad way to go.

And we have seen, since we've done these things, with the HVACs and the lighting, we're probably saving between $300-$400 a month on our electricity bill. It's significant. But it did involve spending some money out of our pocket because you know those LED bulbs are not cheap. But it was a long run thing and that's the way we looked at it—as the long haul—because we're not planning on going anywhere soon so for us it was kind of a nice deal—we knew we needed to upgrade. Also what we upgraded was all of our switches and outlets and stuff like that. They were outdated and inefficient and we've seen significant savings.

**Private business: Pet services**

My partner and I are the owners and together we make all the decisions. When we did our lighting project, Energy Trust helped us look at things like ROI and payback. They told us it would be paid off and everything would break even at 2.5 years. So we thought that was decent and we decided to go ahead. And as I said the lights were not great in here and now they are. I don't know if the lighting has helped us cost wise yet. We haven't had a chance to analyze that. We also did insulation at the same time but my understanding was that didn't qualify for any Energy Trust incentives. Also, the insulation didn't help as much as we thought it would but it's just now coming up on winter so maybe it will help more in the winter. As I said earlier, we don't have a strong grip on financial matters—it's not our forte! But we're very energy conscious and even though we lease our space, we're open to spending money on affordable financing if it exists!

**Private business: Entertainment**

My input about how we make energy efficiency decisions gets real simple: Return-on-investment and the payback. In general, if it's over 3 years, we're not going to look at it. If it's less than 3 years, we look at it. And if it's less than 2 years, we just do it! Those are ballpark numbers. The actual dollar amount would enter into it too but in general that's what we're going to look at—if the payback is under two years. I've done enough of these energy efficiency upgrades that I have confidence in the engineering that gets done but I think in general that people are skeptical of what is promised in savings—in other words, is it really going to happen. Let's say you sign a lease-to-own contract for whatever the term, and engineering shows that you're going to have a positive cash flow and you don't, then that's a big flag. And there's no guarantee that you're going to have that positive cash flow. And so if you don't have the cash and you have to make up the difference, what are you going to do?  So I can see a potential there for a problem. Of course, as I said earlier, we generally don't finance things.

**Private business:  Office**

I am often the person that proposes energy efficiency projects. And I would say about 75% of time, those ideas come as a result of our business relationships with contractors and people like Energy Trust that help us find some sort of opportunity. Occasionally, but rarely, our finance folks might engage a consultant to help us look for an opportunity but most of the time a recommendation is going to come from our business partners—our contractors and folks that we work with regularly who have relationships with us and Energy Trust. We use their recommendations and put together an ROI that we present to finance. It's probably not going to get to finance unless we have some reasonable expectation that it's going to pencil out.

We do have specific payback thresholds. We generally like to see things within 5 years or at least in the near term. Our company has been growing pretty rapidly over the last several years, probably since our start-up, and we will continue to grow at that rate if our corporate goals are met. And within that we want to see expansive growth. So with our projects we want to see a short-term investment generate a return just because it's that type of scalable growth and we're not exactly sure where the future is going to lead us. So committing to something in the long term might impede growth, which would be detrimental to a quick turn around.

We're not really considering financing when we put together proposals for energy efficiency upgrades. We base it on the ROI on the raw project numbers. I guess the financing people would be the ones to worry about financing. I talk in broad terms with the comptroller and he'll say, yes we've got a line of credit and we can do some things like this with our lender. But I think there could be value in having additional financing information in our upfront proposals. They could say something like:  we've got this project we're considering for energy efficiency and our contractors are here and we're looking at a $50,000 budget to do this and we've already worked up an ROI including what would happen if we financed it at X percentage over this period. That might be informative. Our financing people might say oh great—let's go back to our lender and see if they can match that or beat that. And introducing that type of competition into the lending sphere could be good. It would really have to be done carefully so that our financing folks wouldn't feel like we're playing in their sand box. I want to avoid that because at my level and in my role, I don't have authorization to release the kind of information that would be required to secure a line of credit. And that's just speaking for me personally. I would have to go through those folks and then they would engage our legal team or whoever to actually be able to fill out a formal application on behalf of the company.

**Private business:  Manufacturer/retailer**

This business is owned and run by a married couple and they're the final decision-makers. But I'm the one that initiates energy efficiency proposals here. I handle all that stuff for the company. We're a really small company—there's only seven of us. But for example, I was the one that got the letter from Energy Trust about the T12s and I read it and said, oh my gosh, we've got to do something. So I just told the owners at a company meeting that this has got to happen. We need to do something and the sooner the better. Keep in mind the bosses of this company all drive Priuses and all they think about is energy conservation and so they said just do it! It was an easy sell. I didn't really have to do a thing to sell it except bring it up. They just said do it.

So I called Energy Trust because they said in their letter that they would recommend lighting contractors. So I called them and they recommended a lighting contractor that turned out to be really good. It really made a difference to get that good recommendation. And we got a big incentive payback–-it was for almost one-third the cost of the project.

Our company doesn't have thresholds for ROI and stuff like that. We're not really sophisticated in that sense. I think many, many years ago Energy Trust did an audit for us and it provided payback information—how many years before we start saving money on energy. But with our recent lighting project we didn't even need to do that because of two things: number one, we knew we had to change and number two we knew that we would save money. And we didn't really care how much! So do you see what I mean?

**Private business: Grocery**
Our decision-making process is not complex! We do not look at things like ROI and payback. For us, it's more of an issue of doing the right thing. That's one of the ways we're different as a business. And then it has to do more with the finances of the organization more than what the payback period is. We're just not that sophisticated in the financial area.

**Private business: Retail**
We have three stores—Albany, Springfield and Eugene. My father is the owner and my mother does the books. We've been in business for 30 years. I'm the manager of the Albany store and I just joined the family business three years ago. My father, mother and I are the key decision makers. As I said earlier, we sometimes have differences of opinion when it comes to things such as financing. Generally, we try to do everything with cash. We make sure we have it in the budget and that we can pay for it. Payback is important to me and I try to look at the payback window when we're considering things. But we don't have strict criteria.

## B. Respondent Quotes: Public/government

**Public/government: Municipality**
I am the one who makes the proposals for energy upgrades whether it's infrastructure or street lighting or facility related. It would be me looking at that option of improvement and then making the recommendation to staff and government employees. What I normally do is estimate the project and I try to include the payback. It would be helpful for me to have any financing information when I'm doing this. For those upgrades that

we may not absolutely need right now but that would benefit us savings wise, it would be especially helpful to show how we could finance or budget them over time and for me to be able to document the savings over a period of time.

**Public/government: County**

As I said earlier, I think it's unlikely financing would work for us. However, the one good thing about us is we have convinced the Board of Commissioners that the money that we have been getting as incentives should be reinvested to energy savings projects. So we have a nice big chunk of change that we haven't even hardly tapped into that they have agreed to put into a bucket if you will, strictly for those projects. But they have to be proven projects. We have to have documentation that it's an energy savings project and that we are going to receive incentives for that. It's really forward thinking! And for many years we did these energy savings projects and the money would just have to come out of the general fund to do it and the money we got back from those incentives would go right back into the general fund so everybody gets to tap off of it. And so my boss was very instrumental in getting that pushed through and convincing them to see the light that this makes the most sense. Before this change happened, here's an example of something that happened to us a couple of years ago: We had been doing so good on our utility bills, with every little energy step we made, we ended up saving about $200,000 on our utility bills one year and then they cut our budget $200,000! They said, "Well you did so good, you don't need that money." So here we were thinking we were doing really good and doing the right thing and then that just kind of pulled the wind out of our sails.

It's possible financing could work for other departments here. For example the department of Land Use and Transportation doesn't have a pot of money like us. So they have to budget for projects and it comes from a different pot. So if they were proposing say a lighting improvement project and could offer financing as part of the package, it might help them to make the decisions to pull the trigger on some stuff. You know, I'm not really sure about whether they'd be allowed to finance because our entire system is so budget-based.

**Public/government: Municipality**

We calculate our ROI and payback when considering an energy efficiency upgrade. We use a spreadsheet provided by Energy Trust on all our energy projects. We list the equipment we're taking out, the equipment we're putting in whether it be lights or anything else, and the cost of doing that project. And then Energy Trust calculates both the incentive and the ROI on that. And it doesn't make sense to do a project that's going to cost $140,000 and the payback is 162 years. That ain't going to happen! It's hard for me to answer what our payback threshold is because it gets complex. A good example is the LED program for lighting. The fixtures are very expensive but they last 20 years. So for 20 years we don't have to change lamps, we don't have to change ballasts, we don't have to go out there and do maintenance on it. The incentive program through Energy Trust are strictly calculating kilowatts saved and basing the ROI on pure energy costs and not maintenance costs, which is what we're more looking at when it comes to some of these projects. So when we calculate in our costs by not having to do all those maintenance functions, our ROI instead of being 100 plus years, turned out to be like 7 years!

Here's how it worked when we did the lighting project at our park on the river front. We installed over 100 LED fixtures and the cost for the fixtures was $123,000. We only reduced the wattage by 35% so the actual incentive for the kilowatts saved was less than $2,000. But since we're putting in fixtures that doubled the light output, we didn't have to rewire the park because of the cable size, we didn't have to change light bulbs every 2 years and ballasts every 5-8 years. Well when you add all those maintenance costs together over a 22-year life span—it paid for itself! So with some of this stuff, we go ahead and do the project even though the ROI based on the Energy Trust form says it "does not compute". Because we know it computes in our world!

For a long time, any energy savings we accomplished went right back into the general fund. But now when we get an "energy" check, they're letting us keep it in a fund for future energy projects, which makes us happy.

Our biggest goal is to save energy. And sometimes you have to spend money to save money. So if we can reduce maintenance and save energy, it's usually something that sparkles in our eyes. And we'll find a way to do it. We're concerned about sustainability too. We pay an extra three cents a kilowatt-hour for the renewable energy fund. And we're supporting the wind program through our 3%. So sometimes we spend more than we need for the good of the program. We also did a partnership with a solar company and put solar panels on our conference center downtown. And they funded it and I forget what the exact purchase power agreement was but PGE buys back the power from the solar company. So we've done that.

**Public/government: Municipality**

I do propose the energy efficiency upgrades. And as long as the project meets the Energy Trust criteria, that's all I've got to meet. And so as long it's a valid Energy Trust project I'm good to go and then I just get approval from finance or we've got a sustainability guy that has a budget, a pot of money, and so as long as it's okay with him, we move forward. I think it's just got to save 25% and then they'll do the project. So that's the green light for us.

Even though I said earlier that we haven't financed an energy upgrade, I need to be aware of financing options because part of my role is to be the intermediary to get that information to our finance department, our capital planning department and our sustainability group to help them make informed decisions.

**Public/government: Assembly**

As I said earlier, we are very unlikely to finance an energy efficiency upgrade. I'm trying to think about what might get people here to consider financing. For starters, we're always open to energy savings ideas. And so, I'm wondering if the energy audits could possibly be leveraged to get people to consider financing. The audits done by Energy Trust are awesome and they have a big impact on what gets funded here. The audits, including the cost/benefit analysis and the recommendations, directly impact what projects get approved. Often these audited projects become no-brainers for approval by our financing people—they say just do it if we have the money. So I'm thinking if financing options were also included with the audits, additional projects might also get approved. Again, we often fund based on a specific audited project. We've done that with our refrigeration equipment, heating and cooling equipment and lighting. So if Energy Trust could be the conduit for combining their audits with financing information that might be helpful.

Our PMC just did an audit for us on behalf of Energy Trust. They came and looked at our buildings and completed detailed energy analyses. They put everything on a nice spreadsheet that showed us what was consuming the bulk of our energy, what we could change and what we would save by making their recommendations. That kind of cost/benefit analysis is really helpful. We consume mass quantities of electricity and natural gas here. And having the audits to be able to show that cost analysis definitely triggers action and gets the wheels turning even with future projects.

I propose the energy efficiency projects. I say this is a good project and we really want to do it and I include the Energy Trust audit information. We also have a project coordinator here and he works closely with me on Energy Trust jobs to make sure the paperwork gets filed and all that stuff.

Sustainability is a very important consideration in our decision-making process. We have sustainability goals that are above and beyond what the cost is because we realize to save energy you've got to spend some money to do that. So energy savings for us is not necessarily about cost. Energy savings is a philosophy—it's not about saving dollars, it's about actually saving energy. I mean it would be great and an awesome benefit if saving energy also equaled cost savings but in some aspects, it's not necessarily that way. And sometimes to save energy through use of a more efficient means costs more but in the long run you're putting a reduction in the energy-producing infrastructure. For example, when every new piece of equipment is installed here, it's given a "replace/repair" timeline where you track that piece of equipment and every so many years, it comes up for a review. That's when we look at the equipment and we do a cost/benefit analysis to determine how much do we need to spend to work it into the budget and whether to repair or replace the item. Sustainability comes into play right along with that–-it's equally important. We ask whether it's going to cost more to repair this unit or would we save more energy by spending a little more to replace the unit.

**Public/government: Schools K-12**

With energy efficiency projects, my role with the school district is to identify the scope of work and go out and get the bids and take care of the procurement and manage the actual construction phase of the project. Energy Trust typically helps us identify what projects can be capitalized on with Energy Trust incentives. I also take care of all work with Energy Trust—the applications, the information and that kind of stuff.

Generally speaking the District gets their money once a year and they have to spend it over 12 months. There's not many school districts that don't need to pass bonds to improve facilities in the schools and that goes well beyond just energy efficiency projects.

It is very important that I know about financing options. Because one of the things I try to do when talking with the School District and specifically with the Superintendent is to show what options are available to get the projects done and financing would be one of those options. And whether or not I play a role in helping to actually access the funds, it's important that I know about the various options. It's definitely a tool that I want in my toolbox. So absolutely, I would want to know about any opportunities like that.

**Public/government: Public agency**

We do look at payback and ROI on our energy efficiency projects. We do that because it separates the wheat from the chaff. And Energy Trust is a big help to us in determining the payback. So we're not just doing stuff just because somebody said, hey it's a good idea to do this! It's like, no, here's where it actually will pencil out, which makes a good case.

## C. Respondent Quotes: Nonprofits

**Nonprofit: Assembly**

Our Board is the ultimate decision maker here. The bottom line is the most important factor in deciding to implement energy efficiency upgrades. It's all about the bottom line here! If it pencils in 2 to 4 years, we'll do it. Period. If it's longer than that, I won't say we won't do it but the decision-making is more involved. And if you're looking for the green answer, I could probably find you somebody in the organization that will talk that way but not me! We're pretty mercenary at this point.

We do keep reserves and we occasionally dip into the reserves if it makes sense. In fact, that's how we financed the last couple of energy upgrades. When the projects got into the six figures, well, we don't have that kind of cash laying around other than in reserves. But when the pay off is three or four years, well, especially these days, you can't make that kind of money in the bank so we dipped into reserves and then we pay the reserves back out of pledges.

Every one of my counterparts whether they're in for-profit or nonprofits, they're all chasing the bottom line and utility costs are outrageous! Even after our energy efficiency upgrades, our utility costs account for a pretty good chunk of our operating budget. And in our case, we probably burn 20 times the electricity that a normal office building would just because of all of our lighting. So a little change can make a big dent over a pretty short period of time.

Even though our organization doesn't finance anything, we would want to know about these energy efficiency financing options. If our trustees don't know about it, they need to know about it. They're the ones that would ultimately change policy here regarding financing. And we meet with those people every month. If there was a need and the alternative fit the need, if that was an option, then that would be something that would be discussed at a Board meeting for sure. So I want to know about financing options! I want to know when that gets to the point where it's an offer we can't refuse.

**Nonprofit: Hospital**

When it comes to initiating and proposing energy efficiency upgrades, it's either me or the facilities management that does that. We have five hospitals and in my position, I'm a central administrative resource available to all the hospitals. I don't have a budget of my own but I support all the facilities management staff at each hospital. Each hospital has a facility manager and they would do the capital planning for their site and then there's a Director of Facility Operations that they all report to and he and I work together very closely.

A big part of my role here is to connect facility managers with incentives and funding sources that are available for energy efficiency upgrades. So it's very important that I'm informed and knowledgeable about all these options including financing options.

We don't have payback or other thresholds. You know a lot of people position that as a hurdle rate. But when we've tried to ask that question in the past, we were told well if it makes sense, we're going to do it. But of course that's not necessarily the case—projects that make sense often don't get done! But there is no formula in place that says if it meets these criteria then it gets an automatic approval. We don't have anything like that. There's a real reluctance here to sort of pre-approve any kind of commitment of funds.

The other thing we tried to do was set up a revolving energy efficiency investment fund that would be replenished through incentives and proven energy savings that we generate but that didn't get the support we hoped for either. And for the same reason they won't define and earmark funds in that way for a specific kind of expenditure like this. You can do it through capital plans if you get your capital plan approved, you can kind of do it that way but that's going to be tied to specific equipment upgrades and investments and not just energy efficiency. They might have energy efficiency benefits associated with them like a new chiller for example. But we couldn't get the concept of this revolving fund that's replenished, that didn't fly. But I know some other organizations where they have succeeded in putting that in place.

One of the barriers we ran into on the revolving fund idea is if we have an incentive that comes back on a particular capital project, then that money has to go back to that same project to reduce the depreciation and show the actual cost on the books. And that's generally accepted accounting principles—you have to show the actual cost, you can't just take that money and put it somewhere else and pretend that the device costs more. So if you had a chiller that cost $100,000 and you got a $10,000 incentive and you never applied that incentive back to the chiller, you'd be overstating the cost. So that's one of the things we ran into.

**Nonprofit: Hospital**

The way it works here for energy efficiency projects is that I basically do all the ground work and all the project costs and so forth and then I sit down with our CFO and discuss it and we start talking about should we do it as capital expenditure for the next year or are we going to look at finances outside of that capital in a different way such as in-house, a lease or a loan or what have you. And then he makes that final decision about how he wants to do it but I give him that input he needs to make those final decisions. So I don't include financing information in my initial proposals but I when I discuss it with our CFO, he considers those options. And as I said earlier, he's very savvy about this stuff. He then takes it to the Board for final approval.

The only barrier I run into is return on investment. If I can't show a good payback then it's not even worth taking up with our CFO. And I've worked with this CFO now for quite a few years and so I know what he's expecting from me when I present these so I need to make sure I have all the numbers ready for him so that he has educated information to make the right choice. But we always look at the quickest return we can. But energy is a little bit different because if we did some of those projects on a stand-alone basis, the payback was 10-15 years and that's a long time for a payback but when we combined them with other projects, we're looking at 5-7 years and that's a great payback. As I mentioned earlier, we in the process of doing extensive energy upgrades and when we combined them, we had some that were paid back in a year, some in 3 years. So when we did the annualization of all of them, it really made sense for us to package everything together and move forward. So that's what sold that. And we knew which ones we're going to take longer. There were no hidden numbers anywhere. We looked at each project to try to figure out our best bang for our buck basically. So it worked out very well for us. And we have some equipment that we've redone from the 1960s so it really did have a big impact. Anyway, combining the projects was key to getting them approved. This extensive energy project we're doing now was considered a capital expenditure because of the large amount that we're spending and because it's a two-year project.

Although I said I don't currently present financing information in my proposals and that my CFO makes that final decision, I think it would be helpful if I had that information upfront. Then I could include that in my proposal and he could look at it and say okay, what's the interest rate, what's that payment going to be and so forth. Because he has to figure all that out for his main budget as well. Whether he chose those or not, that's totally up to him. But I think that would be a benefit that he wouldn't have to ask around and say I wonder who we can go to and who's going to give us the best rate. If that information were already there at a snapshot, yeah I think that would help a lot. And even though I keep saying my CFO is very knowledgeable, I do think if I had some of the financing information upfront, it would help me push up more energy efficiency projects to top management that I might otherwise not otherwise consider based on ROI alone. In my position, I'm a spending department. All I do is spend money! So if I can show how I can save money for my facilities, the C-suites just really love that. It shows them that we're looking out for the facilities, the bottom line. And I've found that some of the old school guys don't think with that mentality but some of the newer guys coming in are being trained that these are things you have to be looking for constantly.

Based on my previous job experience, I think a big reason that organizations resist financing is because they look at the initial cost instead of the return and the advantage of doing these projects for future savings. So a good example is when I worked in another state, we were looking at doing this and it was initially approved and we set up meetings with different vendors and when it got down to it, the CFO said it was too expensive, we just can't do it right now. And we tried to explain we get this money back, it's a guarantee. We said you realize we're going to save money each year and this is going to continually save us money. But he just said but we can't invest that right now. So they couldn't see the big picture—all they could focus on was that initial cost.

**Nonprofit: Retail**

We don't have an Executive Director here. Instead we have three directors that form the senior management team and we have a Board. I'm the Director of Operations. That makes me the bean counting guy too. I'm the one that initiates proposals for energy efficiency upgrades and I punch all the numbers for these proposals. I have a facilities guy that works for me and he and I consult on the basics of the energy efficiency proposals. And then if it's a big expenditure, I forward it by the other managers of the organization and then I take it to our Board. But if it's a moderate size expenditure, I would just make the decision myself.

## Lease-to-Own Financing Option

**This section includes detailed findings on the lease-to-own financing option and the municipal lease-to-own financing option.**

### 1. Lease-to-own: Overall

Respondents were almost evenly split between those who found the lease-to-own option appealing and something they would consider versus those who found it unappealing and something they would not consider. It's important to note that among those who might consider this option, many had concerns and questions about lease-to-own. And among those that said they would <u>not</u> consider the option, many expressed strongly negative views about lease-to-own. Interestingly, the research did not reveal significant correlations by segment and the likelihood of considering lease-to-own or by other factors such as awareness of lease-to-own or incidence of leasing other equipment.

**Lease-to-own findings are summarized below in the following three categories:**
A. Positive responses to lease-to-own
B. Negative responses to lease-to-own
C. Unsure about lease-to-own

### A. Positive responses to lease-to-own

Respondents with positive reactions to lease-to-own identified several reasons why this option might be worth consideration:

- **No money down/little or no upfront costs:** This was the most compelling feature of lease-to-own. Respondents liked being able to do energy efficiency upgrades sooner and spread out the costs over time. A couple of respondents even mentioned specific projects that they would consider doing immediately if lease-to-own were an option.

- **Positive cash flow from day one:** This attribute had strong appeal. As one respondent said, *"Frankly, I don't see how anybody would not react positively to that."* One respondent liked the positive cash flow aspect but qualified it by saying he'd have to scrutinize it, *"Because positive cash flow doesn't always mean the best deal even though it may be the best in the short term."*

  One respondent did say that a positive payback from day one could result in a loosening of their payback criteria. But others said this would not be a factor because they don't have strict payback criteria to begin with.

- **Impact on overall business cash flow:** This financing option had appeal to those businesses that operate on a cash-only basis as well as for businesses concerned about cash flow, as it could allow them to redirect their funds to other needs in the business.

  Some seemed interested in looking further into lease-to-own details immediately and one respondent said this has sparked him to revisit the lease-to-own option so that he can present to upper management for consideration.

- **Inclusion of soft costs:** The fact that a lease-to-own contract could include many or all of the soft or out-of-pocket costs related to doing an energy efficiency upgrade was a strong advantage to some respondents. Several were pleasantly surprised to learn this feature would be included, as they would not have assumed so otherwise.

Respondents also identified several issues that might influence their decision-making:

- **Companies that offer lease-to-own:** A couple of respondents said they would have no idea how to find a company that offers lease-to-own and stressed that it would be helpful if Energy Trust provided this information.

  Others felt confident they would be able to locate someone and one respondent said he knows his company would turn to someone large such as a Fortune 500 company. One respondent had a bad experience with a lease-to-own company and stressed the importance of being able to find reputable companies.

  There are indications that smaller, private businesses have a greater need for help in finding a company that offers this option.

- **Ongoing maintenance needs:** One respondent raised the issue of maintenance and said it would be a strong advantage if the lease-to-own company were also responsible for maintenance and repair of the leased equipment.

- **Use for major expenditures:** There were indications that respondents tend to view the lease-to-own option as something that would only be used for "major expenditures"—those over $20,000.

- **Ensuring ease of use:** One respondent liked the option because it seemed "painless" but stressed that if it wasn't easy to use, it would be a deal-breaker.

- **Owned vs. leased space factors:** One respondent felt it was a more viable option for businesses that own their building versus those that lease their space. For those that lease their space, the length of time they plan to stay in the building and the investment cost of the item would be critical factors.

- **Trade-off of higher interest rate:** Some expected the interest rate and/or the total cost would be higher but that it might be a good trade-off. As one respondent said: *"I guess the advantage of lease-to-own is sometimes it's good for a company if you don't have to come out with big money out-of-pocket. Of course you pay a price for that–you pay a little more interest rate but you keep the cash in the company."*

- **Life expectancy of item:** One respondent pointed out that the life expectancy of the item being financed would be a factor in whether to do lease-to-own.

- **Financial and accounting details**: For many respondents that found lease-to-own appealing, the more detailed financial accounting aspects were hard for them to address. Some simply said their financial decision-making process wasn't sophisticated enough for those issues to be a consideration.

  One respondent acknowledged the appeal of lease-to-own arrangements that allow the lease to remain off-balance sheet and therefore not treated as debt but he deferred to his CFO who he said would be aware of those pros and cons. Another respondent said he understood the subtle distinctions in how items are classified internally, but he relies on his Enterprise Resource Planning system to take care of the financial back-end.

**Respondents Quotes:  Positive responses**

**Private business:  Pet services**

This is very interesting. I didn't know this option existed. This appeals to me because it wouldn't involve borrowing money from the bank and it means we might be able to do our solar panels projects sooner. I filled out an Energy Trust form saying we were interested in solar panels and Energy Trust sent out a contractor to meet with us. The contractor said we basically need to come up with $30,000 to do the solar panels. Well, we might be able to finance that eventually but we can't do it now––we might be able to do it in two years when we pay off our lighting. But it sounds like if we did the solar panels through a lease-to-own arrangement, we might be able to do the project now. So if there's somebody better than the contractor we met with that would do a lease-to-own and could make it more viable for us to do it now, we'd be more interested in talking to them rather than these people that are telling us that we need to come up with $30,000 now. How do you find out about these people that offer lease-to-own?  Maybe now that I know more about it, I could do some of my own research but it would be great to get a referral from Energy Trust.

**Private business:  Retail**

Well, that's an interesting financing option. I wouldn't have thought of something like lease-to-own. I think that might be an effective option. I would say to myself, okay, I need to do this upgrade and I can spread it out through one year or more. We can lease it and pay it off at the end of the term or however that goes. You're basically making payments to the company providing the equipment instead of to the bank. And that might make a huge difference especially if the leasing company would handle paperwork and permits and stuff like that. I wouldn't have a clue where to turn to find a company that might offer a lease-to-own arrangement. So it would help if Energy Trust provided that information. But I would be interested.

**Private business:  Retail**

I think lease-to-own can be a good option depending on what your company structure is. If you are in a cash flow situation on your business, lease-to-own might be great. If you're in a more cash only, smaller, owner-owned type of business, maybe that doesn't work. But I do think it's an option that works for some people. And I would definitely consider this for our business in Oregon. And the reason I would is because I look at everything on a cash flow basis.

For example, we've replaced one-third of our lights and we are intending to upgrade as we go. So our next round will be when we start getting flush again, which hopefully will be January or February. Again, we do it this way because we only operate on cash. For example, I know that the lights I would be replacing are 8-hour a day lights so in other words they're about one-third of a workweek. So I just work it backwards and check my payback window.  However, if I were to determine there was a better use of my cash funds on something other than my lighting, then I might put my cash there and use  the lease-to-own financing for my lighting upgrade.

We're always funded appropriately to cover a major emergency. Just to give you an idea, we always keep a $50,000 credit line open so we have a standing open credit line with the bank right now. But let's say we just didn't want to use cash, then we could potentially do a lease-to-own. But I'm just trying to think of an expensive energy efficiency item that we might want to finance with lease-to-own. We had our AC go out and that was $11,000 but we were funded for that—we had the cash. But if it were something that cost $20,000 or $30,000, well that would be pretty significant—that would hurt!  That's when we might turn to lease-to-own.

The lease-to-own concept is simple to me:  you lease it, you pay for it, it's yours. Maybe some people get confused and wonder if they have to give the leased item back or buy it again. I'm aware of lease-to-own because I used to work in California and they used it there for putting on the solar cells on roofs and properties. I will say that I did see a lot of variance on how lease-to-own projects were financed in California and I can understand how it could be confusing to some people.

If I were to decide to lease-to-own for an energy efficiency upgrade, I think I would know who to turn to get that. For us in Oregon, a smaller market, we have contacts everywhere in the community.

Currently, we don't lease any equipment. I don't think we've ever done a UCC. A UCC is what you have to file for your lease. It's the equivalent of a businesses' credit line or credit information. So a UCC is where a bank goes to see what you've done or who's making claims against your business. I know all this stuff because I have an MBA.

**Public/government:  Municipality**

I think lease-to-own is a strong, valid option for us. It gives flexibility to the municipality or government agency for a term to carry it over. And depending on the length of the lease, they can actually build revenue or set budget aside so you actually own it at the end of the lease. Because normally what happens with most municipalities is we have limited capital for major improvements and unless it's a dire emergency, those improvements don't move along real quick. So I think this gives a planning content to that capital, if you will, that allows the agency to build a resource to pay that lease off.

Also, I didn't know that the soft costs of an energy efficiency project could also be included in a lease-to-own. That would be good!

We have leased-to-own other non-energy equipment. We'll lease something on a 6-year or 4-year purchase and transfer once the lease is completed. I guess I would say we don't view leasing as financing. I don't know. We don't really consider that. It's more of an installment to the length of the agreement and what the item is. For example, we have equipment we lease for a period of years and then at the end of it, we have the option to either negotiate another lease for a newer piece of equipment or go ahead purchase it.

**Public/government:  Schools K-12**

My understanding with lease-to-own is that a private investor or contractor says, "I'll front you the $20,000 and you lease it back for 5 years". And overall, maybe it's going to cost you $25,000 over that time and at the end maybe you pay another $5,000 or something. I'm just throwing some numbers out there. And so at the end, the customer would own it and they would have paid $30,000 but they paid it out of their normal operating budget costs instead of one lump sum and they can spread it out. I mean essentially the lease-to-own company is just acting as a lender–-it's just a different name to it. Anyway, I can see the potential value and appeal of lease-to-own for school districts. Whenever a school district is doing a bond or whatever, they're always paying interest—it's never like it's free money. It's certainly an alternative. I can see that. And the one thing about it I would assume is true is if there's any kind of maintenance or repair needed to that, then the person that is leasing it to you would be responsible for that. If that were true, it would be a pretty positive aspect of lease-to-own for a school district to consider. I also would assume lease-to-own would be used for energy efficiency items that involve pretty major purchases or major items.

**Nonprofit: Hospital**

We have looked at lease-to-own options on some of our energy-related equipment. When we put in two brand new cooling towers we considered lease-to-own but after we looked at the numbers, the cooling towers were probably the cheapest part of the whole project! So we decided not to do the lease-to-own with that project. But we're open to different financing options, including lease-to-own.

I'm aware that with lease-to-own you often don't have to put any money down and that's an advantage. I didn't know you could include some of the soft costs and that's good to know. I imagine our CFO is aware that some lease-to-own arrangements allow the lease to remain off-balance sheet and therefore not treated as debt. There could be some appeal to that in certain circumstances with certain projects.

The possibility of the lease offering a positive cash flow from day one is very appealing. Frankly, I don't see how anybody would not react positively to that! I think our CFO would probably look at that very hard. And, as I mentioned earlier, payback is an important part of our decision-making process but if the cash flow was positive from day one, I think we might loosen our payback criteria.

If we were to do lease-to-own, we would want to use a larger company. For example, we've used a Fortune 500 company for other projects. And they're big enough so that when they brought the projects to us after we signed them up, they would be able to offer their own leasing. So that's something that we would probably look at when doing energy efficiency projects, would be working with a company like them because we know that they have lease-to-own in their system and that they can do that as well.

We do lease other equipment, non-energy related. And I have experience with lease-to-own as a financing option for energy efficiency upgrades but it was from a company I used to work for. At that company, we did a lease-to-own on some items and one of them was an energy efficient boiler upgrade. It was quite a long lease and I heard later that the company probably wouldn't have done it again but I don't know all the circumstances.

**Private business:  Entertainment**

Well, I really have to think about that option. I'm really trying to think it through here. I'm asking myself what's the advantage to me of lease-to-own. The advantage would have to be that I wouldn't have any upfront costs or very minimal and beyond that, until the lease is paid off, there's really not an advantage to me. The power company obviously saves some money by not having to upgrade their generation plants. So that's an advantage to them. But if it's just a wash between the reduction in my power and the cost of the lease, what's the benefit to me?

I guess if you have cash flow issues, it's going to help a little bit with that. And I guess I can see that if it's generating positive cash flow from day one, it'd be worth looking at. But it's still going to be an obligation. When you look at the balance sheet, a lease is not an asset.  It's a liability on the balance sheet.

I guess part of it would depend on the expected life of what you're leasing and the payback. For example, Energy Trust used to give rebates on electric motors and the life of an electric motor is 25 years. So what's the term of the lease if you spread it out over 25 years?  I keep thinking the appeal of this option would depend on what the asset is and I'm thinking most of the assets you would purchase through Energy Trust have a pretty well established life. There are some things Energy Trust does such as energy efficient computer operated control systems but the life of them could be much less than the life of the lease because of the technology upgrades. So I'd want to look at that.

I think one important thing is that the leasing contract would have to be pretty clear. Some leasing contracts are pretty restrictive and obscure and have a lot of fine print in them. It's hard to make a lease-to-own contract that's real simple.

I also feel there's a real danger in trying to find reputable people to do a lease-to-own contract. We had a bad experience with this. It was a project that I'm still considering doing that involves outside lighting. This guy approached us with a lease-to-own proposal and if his contract is typical of what lease-to-own contracts would look like, it looks like snake oil to me!  For one, I have a real good idea of what the rebates are from Energy Trust and the projected numbers in this guy's contract were way out of line for that and also I felt he was just playing games with the installation costs. Also, we were looking at changing from some pulse start metal halides to some LEDs and their proposal made it look like they were going to be new fixtures but they were just retrofitting the old ones. Once we started asking questions, there were some questionable aspects to the proposal. There are probably professional, straightforward lease-to-own contracts that wouldn't be a problem but how are customers going to find those people. I feel it makes sense to look at lease-to-own. And if we could get some legitimate person to provide us with some real numbers, we would evaluate it to see it if makes sense for us to. Currently, the only thing we lease is the copy machine.

Although I remain open to lease-to-own, I think it may be a difficult financing option to sell. Because for some people, if you just say the word lease, they're not going to hear you anymore.

**Private business: Grocery**

This lease-to-own option does sound like a relatively painless way to go. And it seems like it creates an operating expense instead of a debt on the balance sheet. Some of these other issues such as whether we would consider leasing as financing or whether our payback threshold would change if the lease had a positive cash flow from day one, are just too sophisticated for how we handle these financial decisions. Let's just say they wouldn't be a big issue for us. The most important thing to me when it comes to financing options is that they be straightforward and easy for me to use. This lease-to-own option does sound painless and if that's true, I'd be interested. The only equipment we lease is our photocopier.

**Private business: Auto services**

I'm familiar with lease-to-own. It's like a commercial lease as the way I know it. It's the kind of option where they take it down to one dollar at the end of the lease. I'm fine with lease-to-own. However, typically with leasing in my experience, the rate is usually higher. But it all depends on details. So I'd say it's not a bad option. And the more options the better.

I guess the advantage of lease-to-own is sometimes it's good for a company if you don't have to come out with big money out-of-pocket. Of course you pay a price for that—you pay a little more interest rate but you keep the cash in the company. Regarding the financial books, well say you leased it for 36 months with all the residual—on the books it's no different. The way it works, you've got the project that you can deduct in a certain manner but then you've got the loan that you can deduct in a certain manner.

When it comes to a positive cash flow from day one and how it might affect our payback criteria, what I can say is that we do look at payback but not in the true sense. You know part of the deal with the paybacks in my experience is when you're dealing with hundred million dollar projects, those paybacks make a big difference. But when you're dealing with $15,000, $20,000 or $30,000 projects, you know a smaller company is probably more interested in the cash flow. So they're probably looking at saving some down payment money and paying a little higher payment with the lease versus having to put money down with the conventional financing.

**Private business: Office**

I'm not particularly aware of lease-to-own when it comes to energy efficiency upgrades. It seems like a financing concept that would have appeal if you owned a building outright. Let's say we owned our building and it was 30-40 years old and we were interested in replacing its entire heating system and we planned to be in that space for a good solid 10 years, well that might be an attractive opportunity. There might be some value in rolling up some of the upfront costs with an energy efficiency upgrade such as the audits and engineering design, the energy study part of it if you will, and being able to spread the costs over the course of the lease. That might be very appealing to somebody in this economy if they could do something like that without much of an upfront investment. And maybe there's not even as much ROI in the beginning but the deferment of those costs—well you come out 10 years later and you've got a fairly modern system and you haven't had to make a huge upfront investment in getting there.

But we lease our building. So I guess I'm saying if you own your building, my example of leasing the heating system would be more appealing. As a tenant, the lease-to-own option would depend on your agreement and terms with your property owner in terms of where that ROI line would be relative to the investment and the terms of the lease including how long you plan to be there. If it's 5, 10 or 20 years, it's going to have an impact on who's going to be willing to pay or bear the burden of the cost and what type of energy savings are you going to get at the end of the day. It's a question of how much of an investment are you going to make in somebody else's building for a short-term savings on your energy costs. So that would be a fairly complicated equation I think.

Regarding lease-to-own arrangements that allow the lease to remain "off-balance" sheet and not treated as debt, I'm familiar with the differences in the way things are classified—as internally deployed assets or not necessarily considered on balance sheet as opposed to things that would be considered regular inventory that you would sell to a customer. So I understand that there subtle distinctions but I'm not an accountant so I don't deal with what's on and off balance sheet. I just deal with letting the numbers fall where they need to in order to meet the operational goal. If accounting has questions, they come and ask me. But we don't dig too far into how things really hit the books. We've got an ERP (Enterprise Resource Planning) system that's set up and they take care of all the back end of that, which is just fine. So if they're aware of those types of lease-to-own options, I don't know.

Our company doesn't have a negative attitude about leasing to own non-energy related equipment. But it's just not something we typically do. I'm not sure why that is. It's just sort of a leadership culture here. We talk about it from time to time but I just don't think real good opportunities have presented themselves to us, at least that I'm aware of. We talked about leasing the equipment that we place at our customer sites. But I guess from an accounting perspective, perhaps, you don't get to address some of the benefits of ownership such as depreciation and things like that. I just don't think that the right deals are out there for leasing other non-energy equipment.

**Nonprofit: Hospital**

I am aware of the lease-to-own option but we haven't done it here. I know there are considerations with lease-to-own in terms of where it is on your balance sheet and how it's accounted for and whether it's considered financing. If I remember right, and it's been awhile since I've looked at any leasing, but what I recall being a key differentiator in the past is that an operating lease cannot have a buy-out at the end, a bargain buy-out because then you're just camouflaging it. Don't take my word for that but it's something I would need to look into. I understand what you're saying about the positive cash flow from day one possibly affecting how a company looks at its payback criteria but, as I said earlier, we don't have established payback criteria or hurdle rates so that probably wouldn't be a factor for us.

As I said earlier, this discussion is making me realize that I need to go back and revisit all the financing options including lease-to-own. It's been awhile since I've brought up financing options with our management and since that time our CFO and finance leadership has changed and the philosophy is different. And I haven't kept up on all this stuff and I need to look at these options again.

If we were to look into doing lease-to-own, it wouldn't be hard for me to find somebody that offers this. I'm fairly well connected in the energy efficiency network in Oregon.

**Nonprofit: Retail**

I think lease-to-own for energy efficiency projects does sound like a convenient financing option. I would want to scrutinize it and look it over carefully and compare it to my other options. But as a matter of convenience, I think not having to pay money upfront and having a positive cash flow from day one does make some sense for cash flow reasons. That would be the advantage of it. But it would depend on the situation we're in. Because positive cash flow doesn't always mean the best deal even though it may be the best in the short term.

I can't think of anything that we actually lease whether it be phones or copiers or whatever. We have a lot of infrastructure donated to us.

## B. Negative responses to lease-to-own

Of the respondents that rejected the lease-to-own financing option, some were adamant that they would never do this while others said it was very unlikely. Again, there didn't appear to be significant differences by segment or by level of awareness or by whether they currently lease other equipment.

Reasons offered for these negative reactions include:

- **Ownership**: Some expressed a need to buy something outright and own it upfront, even though they realize that with other financing options, such as a commercial loan, they don't really own it until it's paid off.

- **Stigma:** For some respondents, there is a negative association between lease-to-own and the concept of general leasing. Many acknowledge this association is irrational but it still is a trigger for some and confusing for others.

- **Relevance to their business:** Some qualified their negative response by saying that if they owned their building and/or if their business used vehicles or large equipment, they might be more interested in lease-to-own.

- **Business philosophy**: Some rejected it out outright because they don't finance anything or it doesn't fit their "model" of paying for energy efficiency upgrades or that they have the money upfront to pay for things. There may be indications this reason is more prevalent with public/government and nonprofit agencies.

- **Too many barriers**: Other reasons cited suggested that lease-to-own is too much work, that the leasing company will be too involved in the business, or that the lease terms are costly over time. Maintenance issues, lease and insurance obligations, and tax considerations all posed unknown costs or hassles that seem like barriers to the decision-maker.

**Respondent Quotes: Negative responses**

**Private business: Retail**
No, no, no! Lease-to-own is horrible. You get stuck in so many different ways: the possibility of required maintenance, the lease obligations, the insurance obligations, the buy-out at the end, the taxes involved and more. The companies that offer those arrangements just get too involved in your business. Absolutely not. I wouldn't get involved in leasing-to-own anything!

**Private business: Retail**
I'm not aware of lease-to-own and it doesn't seem appealing to me. I don't lease any non-energy equipment and probably never will. And I can't see myself doing lease-to-own with energy related stuff, like an HVAC or whatever. I'm just not going to do that. I guess the reason is it just seems like more work in the long run dealing with leasing equipment. Maybe if I was a larger business that had vehicles and equipment that I preferred to use for a couple years and then turn around and get new equipment then yes, lease-to-own would be more of an option. But most of the stuff we have is here for the long run so there's no sense in leasing-to-own when I would rather buy it outright and have it as my investment.

**Private business: Manufacturer/retailer**
I think lease-to-own would be very unpopular with the owners of the company. I don't think they would even consider it. The reason is we're just old-fashioned people. We've

just never leased anything. The building we work in, the owners ended up purchasing that. We buy what we need when we can afford it. I know you're talking about something different than leasing cars but that's what I think of. We don't lease cars, none of us that work here do that. I don't need a car but I read the ads and most refer to leasing and I've never been able to figure out why somebody would want to lease a car over buying a car. No one has ever explained that to me. And the owners here are even more against leasing than I am. I know you're explaining lease-to-own is a financing option for energy efficiency upgrades but I still think it wouldn't fly here.

**Private business: Grocery**

I'm familiar with lease-to-own. I did lease-to-own with the bottle machines out in front of my store. I did that a few years ago and ended up owning them at the end of the lease. I guess lease-to-own is fine for some but I'm definitely not enthusiastic about it whether it's energy efficiency related or not. I would just rather finance it and buy it myself. I suspect my negative feeling about lease-to-own is that it's not totally mine until the very end of the lease. And I understand that leasing is really the same as financing it through a bank or whatever. I mean, you're still making payments every month and then at the end, it's yours whether you've financed it through a commercial loan or if you're leasing to own it. I mean in both cases it's not really yours until that last payment is made so it's not a huge difference. But it's still a big difference to me even though I can't really explain it. I guess with lease-to-own there's the advantage of no upfront cost. But when I financed my freezers with the bank, there wasn't really an upfront cost. Well, I guess there was kind of a loan fee. I just don't want to do lease-to-own.

**Private business: Restaurant**

I don't go for leasing-to-own anything because at the end, I always end up paying more for it. Always. I end up paying more than the cost of the equipment if I lease it. I know this because when I worked for another company, I did that and that's what always happened. Since I've owned my own restaurant, I haven't leased anything. I'm not a very big a fan of it and I won't do it.

**Private business: Retail**

I wasn't aware of lease-to-own with energy efficiency projects. Now that you've described this financing option, I can't say I'm personally a big fan of it. Whenever I hear the term lease, I just think of throwing my money away. It probably goes back to my dad and me arguing about leasing or buying a car. But whatever the reason, I just have to keep saying I'm not a big fan of leasing or leasing-to-own anything. I would just prefer to buy things outright. But that's just me. And I want to say that usually I'm not the kind of person that just rejects something out of hand like this. Maybe if I owned my building it would make a difference and I'd be more interested in taking time to figure out various ways to finance things. And maybe that's a huge part of Energy Trust taking on the role of educating us about these options. I do lease my credit card machine. And I can see the benefit of them always providing upgrades to it without me having to do anything. And if it breaks, they have someone here in an hour to fix it. So I guess that's a benefit but that seems quite different from financing something through lease-to-own.

**Private business:  Restaurant**
As I said earlier, we're not interested in any financing options so I'm not even going to comment on this lease-to-own option.  But when we did our lighting upgrade, our lighting contractor was very helpful and I think they offer a lease-to-own option. We weren't interested—we didn't even consider it.

**Public/government:  Assembly**
We don't lease any equipment whether it's energy-related or not. We were looking at doing a deal with the utility company for leasing generators but other than that, we don't lease any equipment that I know of. And I don't see us doing lease-to-own. It just doesn't fit our model. And the reason is that once again, things here are based on the budget and the budget constraints and what they provide for. I'm sorry I can't respond to some of your specific questions about the pros and cons of lease-to-own but I just don't think it's something we would do. My buddy who works here might be able to provide more details because he works a lot on the Energy Trust stuff.

**Public/government:  Public agency**
I am aware that you can lease-to-own with energy efficiency items. But we don't do lease-to-own with anything. We either lease it (but not to own) or we buy it. And often it just makes more sense for us to own it. For some folks, not having upfront costs may be an advantage but the difference for us is that we can often come up with the money upfront. I don't see us ever doing lease-to-own.

**Nonprofit:  Assembly**
We do lease equipment to a certain extent. There are some things that it just doesn't make sense to own so we do lease them. We lease smaller things like copy machines and that sort of thing. But with those, we're not leasing-to-own. The last thing I want to own is a bunch of copy machines.

I didn't know you could lease-to-own with energy efficiency upgrades. I just don't think we'd ever do that because, as I said earlier, we don't borrow money for anything and we don't finance anything. And I can tell you that every now and then a different financing program will come out and we toss it around and present it to the Board and it always meets with the same response—no!  And I'm okay with that. We're fortunate that we've got some ability to pay for things upfront. And maybe it's mostly because of our size. It's a little easier for us than the small guy to pay those bills.

Even though we wouldn't use this option, I can see for others there might be some advantage to having lease-to-own show up in their operating budget differently. But I suspect given the track record here, the precedent has already been set in terms of how we would handle lease-to-own as a debt or not or how it would show up on our on our balance sheet or whatever. I can't really answer that–-it's more an accountant's or an auditor's thing. But we wouldn't do lease-to-own anyway.

**C.   Unsure about lease-to-own**

Among those who were unsure about lease-to-own, their responses tended to be more negative than positive. In general, respondents commented that lease-to-own sounds interesting but they were uncertain if it would work for their business.

**Respondent Quotes**

**Private business: Retail**
We rarely lease equipment of any type. I guess we don't lease anything. I don't have much to say on this lease-to-own idea. It doesn't seem like something we'd do but I'm not sure. It's interesting to hear about lease-to-own having little or no upfront costs. But I keep going back to the fact that what's most important is that any financing option, including lease-to-own, has to be turnkey. It has to be easy, fast and cheap. Then it might be something we would consider.

**Public/government: County**
We have never participated in a lease-to-own program but I am aware these programs exist for energy efficiency upgrades. The electrical distributor I mentioned earlier offers lease-to-own for energy efficient solutions. We never used it but it sounded like an interesting concept. And now what you've just described about lease-to-own sounds interesting but I don't know if we'd ever do anything like that. I'm just not sure. There's just something about leasing that's a turn-off for me. I've got to say that I associate leasing with people that want the latest and greatest thing. It's a want and not a need. It's mainly for people that have a little more money because they can afford to make that payment year after year after year. To be honest, I'm thinking about people that lease cars. My brother leases cars all the time but not me. I realize that the lease-to-own financing option you're talking doesn't fall into this category. With lease-to-own, there's an end to the lease and it's not tied to the end of life of the product. But I guess the word leasing is always going to make me think of things like cars. We do lease our vehicles for our fleet and we're making a payment on that. But that's not lease-to-own. It's lease-to-replace!

**Public/government: Municipality**
I didn't know you could finance energy efficiency upgrades with a lease-to-own deal. How do you lease a light fixture or how do you lease a motor? I can see doing it on something like a million kilowatt stand-by generator for a building to reduce the initial costs. And we talked to PGE a long time ago about something similar to that where they provide the generator. It supports our building and in the case of an emergency, they can back feed their system with our generator. So PGE had sort of a lease program like that. And I guess in a way, we are doing leasing because some of our parking lot lights and our shop lights are on a PGE pole or a PGE light. PGE puts them in and they maintain them and we just pay a monthly fee. So in essence, we are leasing those lights or renting them. So a lot of PGE's street, parking and area lighting are on a similar program to that. I just don't know if this financing option would work for us. It's hard for me to grasp how it could work for us but I'm probably not really the best person to answer that.

**Public/government:  Municipality**
The lease-to-own option sounds like a good idea but I just don't deal enough with the money side to know how feasible it would be for us to do.

## 2. Municipal Lease-to-Own

Note: Only public/government respondents were asked about municipal lease-to-own option.

**Experience with municipal lease-to-own:**
Only one respondent had experience with a municipal lease-to-own. This respondent,  a school district, recently entered into a municipal lease-to-own agreement for energy efficiency upgrades and reported they were very pleased with the arrangement. The

remaining government respondents seemed very unaware of municipal lease-to-own and really struggled to provide any valuable input.

**Respondent Quotes**

**Public/government: Schools K-12**

We borrowed money through a municipal lease-to-own this summer to undertake a number of energy efficiency projects. It included lighting at the elementary school gym, a boiler upgrade at the middle school and also major reroofing and insulation projects at two other schools. All of these projects also qualified for Energy Trust incentives.

The Superintendent of the school district went through the Oregon School Board Association to arrange this municipal lease-to-own. It was the Oregon School Board that hooked our district up with the leasing company. I believe the municipal lease also included loans for other school districts at the same time to make it an even better interest rate. I assisted the Superintendent by putting together the budget numbers for the energy efficiency upgrades so he knew what kind of amount to go for. But as far as the actual application and follow-up conversations and stuff like that, he took care of that part of it. I was not involved in that part.

I think the District was very pleased to be able to arrange this municipal lease. And I know they were very, very happy that they were able to take care of some real pressing needs. They are going out for bond in three weeks and part of that bond would be to pay back that loan. And if that bond doesn't pass, they have a Plan B to make sure that the loan is paid off. And I know the fact that the District was able to accomplish this work this past summer has certainly played very positively to the community members not just because of all the attention put on schools but because the District was able to say here's Phase 1 of what we hope to do and if we pass the bond, we can keep going. It was a good kick-start to the situation.

**Public/government: Municipality**

I'm not aware of municipal lease-to own. But I think I would just consider a municipal lease a subset of leasing in general. I think the idea of the ability to classify a municipal lease as not being debt would be very appealing to us.

**Public/government: County**

We haven't looked into municipal leases at all. It's not top-of-mind. In fact, I'm not really aware of it. I suppose someone else here could be aware of municipal leases. It just doesn't have anything to do with what I do so I can't really answer your questions about it.

**Public/government: Municipality**

I'm not aware of municipal leases. Some of the newer stuff, we do talk about it and we look at it and if it's something feasible, we start running it up various flagpoles to other departments. But where I sit in this organization, I'm just not in a position to answer this.

**Public/government: Municipality**
Both of the lease-to-own options ("regular" and municipal) definitely sound like good ideas. But I just don't deal with the money side enough to know how feasible they are.

**Public/government: Assembly**
I just don't know about municipal leases. I would have to talk to my buddy who works here. He might know more.

**Public/government: Public agency**
As I said earlier, we don't do lease-to-own with anything. This would include municipal leases.

## On-Bill Financing Option

**Overview:** This financing concept was very appealing to respondents, and of all the financing options explored in the research, this one had the most universal appeal. Some of the most positive comments even included things like "it's brilliant" and "it's a terrific idea". Respondents had no strong negative feelings about this concept. Even among those who felt they might not use this option, they found it interesting and a good idea for others. While there was a sense among some respondents that it was too good to be true, in general, most seemed to quickly grasp this concept with many saying it made sense or was very logical. Many respondents feel it makes sense to have financing for an energy efficiency upgrade tied to their utility bill because of Energy Trust's partnership with utilities and the fact that energy efficiency is so closely tied to utility usage.

**The following provides a detailed summary of findings divided into the following sections:**

A. Specific positives
B. Concerns and obstacles
C. On-bill financing versus on-bill repayment
D. Impact on financial decision-making process

## A. Specific positives

1. **The "bill-neutral" or "net wash" effect:** The strongest positive about this option is that the loans are often structured to be bill-neutral, so the monthly loan payment is less than or equal to the amount of money the customer is saving because of doing the energy efficiency retrofit. In some ways, this is such an obvious positive that it's almost a no-brainer. As one respondent said, "I think that would be a hard thing to turn down." Another said: "I think the most important part of this option is that there's no undue monetary stress on the customer to purchase energy efficiency upgrades."

   It is important to note that the appeal of this option hinges on the financing being almost or nearly "bill-neutral". Some even stressed that if that didn't work out to be true, the option would be less attractive.

2. **Stimulate more energy efficiency upgrades now:** Given the bill-neutral nature of this option, some commented in general on how this would allow more businesses to do energy efficiency upgrades that otherwise might not get done due to lack of budget, cash flow issues or even internal decision-making processes. Others even provided specific examples of projects they would be eager to do now if this option were available.

3. **Ease of use and one bill to pay**: Many respondents felt this option seemed very easy to use, and were especially attracted to the idea they'd have just one bill to pay. Some respondents also feel this would be a "painless" way to go in terms of getting the loan because they assume whether the lender was the utility or a financial institution, the process and hassle of getting the loan would be reduced.

4. **Low risk to lender and customer:** Many quickly understood that the lender, whether a utility or financial institution, would feel comfortable being repaid simply because people pay their utility bills. The fact that this option benefits both the lender and the customer with little risk to either was an important concept for many respondents. At least one respondent even said it would mean a lower interest rate because the rate would be commensurate with the level of risk to the lender.

## B. Concerns and obstacles

1. **Rate and terms of loan.** Some said the interest rate would be a critical factor and others said it would be important to know how long the life of the loan would be and how it impacts their borrowing costs. Some want to know when they would start saving money outright on their utility bill and not just getting the "bill-neutral" benefit. As one said, "I would want to know the payoff time—whether you'd start saving money in 2 years, 3 years, 4 years or whatever." But, even respondents who indicated the need for more specifics on this financing option were mostly positive about the concept in general.

2. **Expense and accounting issues:** A few respondents had concerns about how the loan portion of their utility bill payment will be broken out on their bill so that they can keep track of and incorporate it separately into their existing accounting systems. Others simply prefer to keep their expenses separate and want separate bills. This was a serious enough concern as to be a deal breaker for at least a couple of respondents.

3. **Opposition to financing:** There were a couple of respondents that just don't want any debt and wouldn't finance anything regardless of the option. It's important to note that even among those less interested in this option for their own businesses were still positive about the concept and felt it would work for others.

### C. On-bill financing versus on-bill repayment

Among private businesses, there wasn't a strong preference for either on-bill financing or on-bill repayment. Many were so enamored with the idea of having the financing included on their utility bill with the possibility of the loan being "bill-neutral" that the factor of whether it was the utility or a commercial lender providing the loan was not a primary consideration.

However, among government agencies, some did express a strong preference for on-bill financing versus on-bill repayment with some saying this could make the difference in getting internal approval. Reasons that on-bill financing was preferred included:

- It will make approval more feasible with key decision-makers. Comments included: "It's more palatable", "It's less onerous", and "It has a different connotation."
- It means we don't have to go through a competitive bid process.
- It will involve less administrative work and just be less of a hassle.
- It won't involve an extra layer of cost, which might be the case with on-bill repayment.

### D. Impact on financial decision-making process

Most respondents seemed to feel this option would be unlikely to change their decision-making process including whether they would view it as an operating expense versus debt. As seen with other financing options included in the research, some private businesses indicated that their processes aren't sophisticated enough for these issues to be a factor. Other respondents simply weren't sure what the impact might be because it's a new concept and would need review by their "finance" people. There were a few government entities that thought it might have an impact but not necessarily negative.

One nonprofit thought this option might make a difference in how it's "treated on their books" and was concerned that this might negatively impact the auditing regulations they're subject to and, as a result, their ability to secure grants.

**Respondent Quotes**

**Quotes are organized by segment as follows:**
1. Private businesses: own building space
2. Private businesses: lease building space
3. Public/government organizations
4. Nonprofit organizations

**1. Private businesses: own building space**

**Private business: Retail**
That's a good idea because it doesn't really change anything. And it would be equal to or less than what you're paying now, so budget wise that's good.

**Private business: Grocery**
My first reaction is that it sounds really painless! I'm sure there's still those hoops to go through with either the bank or the utility, whichever is lending the money, to qualify for the financing but having the payments be tied to the utility bill and the costs savings, I think that's pretty brilliant and I would definitely be enticed by that. I can see how the bank or utility would be willing to do this because they know people pay their utility bills! I would want to know the interest rate. The idea of having this all covered in one bill is also appealing. I don't think this would really change the way we make these kind of decisions or the process we use for moving forward on these decisions—the same people would be involved in the decision-making process. The concept of looking at it as an operating expense instead of debt is interesting. I wouldn't have thought of that but I don't think it would be a factor for us or that we would handle it differently on our financial statements.

**Private business: Auto services**
I don't have a problem with this option. What's appealing is that if you're paying through your utility, you don't feel the pain of an extra payment. I understand you're still borrowing money and on that side, I would still like to see what the terms are in regards to that. Because no matter what, are you going to be able to save enough money to offset the increased cost of the payment. I know you said the loan might be structured so the payment was less than or equal to the amount you're saving on energy costs but that's a pretty important part of this option--that would have to work out. Again, I would look at what are the terms of this loan, what is the rate. I don't know but part of the problem with not making a big enough payment could be that you're paying this loan off for 10 years and that means your borrowing costs went up.

**Private business: Grocery**
I think I get this option. I just have power and it's with PGE. So I think I'm getting the idea that this financing would part of my PGE bill and PGE would just take a portion of

what I save by doing the upgrade and apply that to the loan amount. It sounds interesting. Whether the money is borrowed from PGE or a bank, you're paying through PGE. The idea of structuring the loan so that you're paying the same amount or maybe even less is very appealing. Actually, it sounds kind of neat! I'd be interested in something like that. And I like the idea of having just one bill to pay.

I did borrow money from a bank for the new freezers I put in and I paid it off over time. And so I wouldn't rule out the commercial loan option for myself. But I'd say this on-bill financing or on-bill repayment is equally appealing, maybe more so. One thing is that the loan process with the bank is always a pain. And I'm thinking it might be less so with this option because the utility is collecting the loan payment and whether the utility itself or the bank was the lender, it seems like the process of getting the loan would be less of a hassle because they know they're likely to get repaid.

If I were to finance again, I would probably consider both things—the commercial loan and the on-bill financing or repayment. I have a good relationship with my bank so I would want to check there and I guess I would compare the two and see what's best for me at the time.

**Private business: Entertainment**

Well that's an interesting concept. The interest rate would be the deciding factor for me. But to be honest, having this financing option available probably wouldn't affect me a great deal. But I can see how more of these energy efficiency projects would get done among people that didn't have the cash to do it. And if that's what is stopping them from doing an energy efficiency upgrade, not having the cash flow to do it, well that problem just went away with this option. So it's obviously good for businesses in general and you would expect people to see the dollars and sense of that and do more projects. But it's still a debt. And other than the mortgage on our property, which is a very small percentage of the value of the property, we have no debt. And we'd prefer to keep it that way. It's more of a personal thing with us. When you have debt it means that somebody else at some point might be running your business. So having debt may be a good business practice but there are downsides to it too. That's all. I can see how this is a more secure option for the lender because people pay their utility bills.

**Private business: Manufacturer/retailer**

Our business is run by a married couple and they're very fiscally conservative. The idea of the loan payment being less than or equal to the amount we'd saving by doing the upgrade sounds awfully good. But I just think our owners would want to look over the fine print on this option very carefully. It sounds like it wouldn't cost them anything extra compared to doing separate financing with a bank but they'd want to look into that to make sure. I will say it would be nice to not have to write another check and I think the owners would like that. I think it's an option worth considering. But I'm not sure our owners would go for it.

**Private business: Retail**

This on-bill financing gets into a gray area for me. I'm wondering where does the write-off come in at the end of the year. It's almost a question of would I rather pay more on my utilities or take the interest payment through a loan. I don't think I'd want my utilities any higher. I guess I would rather go with the traditional style loan.

**2. Private businesses: lease building space**

**Private business: Restaurant**
This is a good idea! The energy efficiency upgrade I did back in April saved me a lot of money through the incentives and utility costs and if this option had been available then, I would have done it. As I said earlier, I would never do lease-to-own but I would do this. Would this only be for electricity or would it also be for gas? Because the stove I use is gas. If I have to upgrade or buy a new unit I would definitely do the on-bill financing if it were available in Oregon. I would like it if I could finance it and have on my gas bill. I really like the idea of having the payment on my utility bill. I would definitely consider this.

**Private business: Retail**
My first reaction is that I think this option definitely goes along with the path of least resistance! I think a fair amount of it would depend on what the terms are as far as what the percentage rate is, and how long the life of loan or financing would be. But I actually really like this option. It would be one less bill to keep track of. And I assume on the actual utility bill, it would be broken out in some way because when you're doing QuickBooks or whatever, you'd want to be able to have it broken down. I really like that the loan payment could be less than or equal to the amount I'm saving with the upgrade. That's good! When I upgraded to LED lights, if this option had been available, I would have potentially preferred doing it this way. I certainly understand why the utility or a bank might be willing to lend the money with this option because if I have to choose between paying my credit card bill or my electric bill, there's no choice! I want to keep the lights on!

**Private business: Pet services**
Wow, this sounds good. So does it mean you probably wouldn't even notice an increase in your utility bill or that it wouldn't have a huge impact on what you had to pay? This would be my hope and if so, it would be great. As I said, there are still things my business partner and I would love to do here. Things that we know would make it more energy efficient and greener. Because this is an old building and it needs improvements. So if this option made it affordable to do that, we would do it.

Like I said, we're struggling a little bit now because we're still paying off the energy efficiency upgrades we did. So things are tight. We're a really small business. But we really wanted to do those upgrades. We knew it would be in the best interest of our employees and our animals. And in the long run it's going to be great. But it's a bit of a struggle right now so if there were a financing option like on-bill financing, I think it would be wonderful because you wouldn't have to worry. If you knew you wanted to do it down the road, you could just do it now instead and it wouldn't be impacting you much at all. Like I said, the solar panels—we would love to do them right now. This building is huge—it's like 7,000 square feet with a flat roof and there are no trees around. So it would probably be great for solar panels so we know we want to do it but at same time, we know we can't have another expense right now. So if there was something like this option in place where we could say let's go ahead and do it now and it won't impact us, and once we pay off our other upgrades, then maybe we could pay more toward our on-bill financing loan for the solar panels if we want to. This seems like it would work for us. We would be happy with it.

**Private business: Retail**

My first thought about this is that because of the way that I track things, I want to know the true cost of my utilities separate from my other expenses. So my first thought is that I would prefer to have them separate unless they can prove to me or show me on paper hey you're expected to have a net wash, then I might just let it go and be willing to have it all on one bill. But usually I want everything separate so I can track it. I'm thinking it wouldn't jive with my account sheets very well. I'm just saying for how I do my books, it seems a little bit off. I like the idea of it—paying the utility and being able to get upgrades but not having a huge utility bill in and of itself.

**Private business: Retail**

I'm familiar with on-bill financing. I used to live in San Jose and the California Energy Trust offered this option for solar cells. I think the idea is really good. So to me there's no question it makes sense for some people to finance this way. I totally understand the advantage of paying what used to be a $1,500 bill and you're now paying $1,000 on power but $500 goes to the loan. I understand that. But even though I know it would be a benefit for most people, we personally would want separate bills. It's a matter of internally the way we do our books and everything; we would want to separate it. We just have a preference to keep it separate and that goes back to my mother—she does the books and she does it old school—double accounting! Even though we're using QuickBooks, she just thinks that way.

One of the strongest leashes the utilities have on customers is that they can't operate their businesses without electricity. So I can imagine the utilities feel safe in offering this option because they feel they'll get their money back.

## 3. Public/government organizations

**Public/government: County**

I think this option is a good way to go. It's good for both the customer and the lender. I can see the lender is getting a little bit of a guarantee or assurance of payment from the customer. So it's important there's some assurances there. And the customer doesn't really see any out-of-pocket expense—the savings they're going to be recognizing will just be extended out a little bit further. And of course once you've paid the loan back, you're reaping the outright savings. I think it's an interesting concept. I'm quite interested in this. I'd be interested in knowing any feedback from other states where they've tried this option. Here in Oregon, we're mainly talking about PGE and they are a big advocate of Energy Trust—it's a huge partnership—so I don't think it will much of an uphill battle to get PGE involved in doing something like this.

As I said earlier, we have to budget everything here and we don't finance things. But this option might change how we view that. I don't know. I'm trying to get my mind around this. We're still going to have to present it as an expenditure budget item but if we can document it in the budget as something we don't have to really spend any money on and that it's going to be recognized and paid for through the savings on the utility bill, I don't know—it's an interesting possibility. I don't know what the upper minds in our organization would have to say about that. But I think it's intriguing. And I can't speak for the finance people. They're the ones that give us our blessings on budgeting including whether something like this is appropriate for a government agency to even take advantage of. I mean there's even that thought. But I can certainly see some advantages for private industry. I do think it will be easier for private businesses to utilize this option versus a public entity. Although private businesses also have to budget, they don't have as many people making those decisions as those of us in public agencies.

**Public/government: Municipality**

I really see the benefit of the loan payment being less than or equal to what I've saved in energy costs by doing the upgrade. And when you're done repaying loan, you're just outright saving. Yes, I would say this is going to be more pleasing than any option mentioned thus far!

In terms of, well for one, the debt you obviously already have—how much are you increasing it or whether you're saving it over a period of years—so let's say a street light program came through and one or two go LED through your street light program and you upgraded that and your total cost—let's say as an example It's $350,000 in utility bills a year and your improvements cost you $1.2 million and it's prorated showing that you're going to be able to return those costs, the savings are going to be say 60% in eight years and your loan is paid off at the end of that period of time because you're paying that debt over a spread of eight years. But in that 9$^{th}$ year, it's just all bread and butter because it's the capital that is going to go up. In other words, your general fund will go up in dollar value because it's no longer there. That seems to me pretty enticing to agencies. I think the on-bill financing option would be a pretty good sell to most municipalities.

And your utility bill is the bill that keeps the lights on! So I can see the advantage to lenders and utilities of participating in this option. This option would be reassuring to lenders that they would get their money back.

I'm not sure how this might change how we look at financing as debt or as an operating expense and things like that. It depends on whether the upgrade is a facility or if it's infrastructure. But I would say it would probably mainly be looked at as a capital investment for improvement.

I think having it be on the utility bill gives it a twofold advantage. It puts it in front of you every month; and the savings, most of utility providers, power in specific, provide an energy audit—I think it comes out every 90 days so they have a chart and you can see the savings as it generates through the quarter or every six months or the year and even through the years. If you're truly investing, I'm using a building for an example, you're going to be able to see those savings. Unless your structure expanded in square footage but that's a whole different approach. But if it was currently staying the same size, you should be able to see that through the utilities as it reached its cycle. The on-bill financing option is very interesting.

**<u>Public/government: Assembly</u>**

I'm sort of familiar with this option and to me it's always been a good way of doing it. I know about it because they had something like this for solar where customers could finance panels and the objective was the customer wouldn't see any difference in cost due to reduction in their utility bill. I mean eventually down the road you would see some difference once the loan was paid off but until then you're not seeing any increase and to me that would be a terrific idea. I think the most important part of this option is that there's no undue monetary stress on the customer to purchase energy efficiency upgrades. I mean they're not seeing an increase—for instance their utility bill would be the same because they would be saving energy but that energy that they save would be paying off the loan and once that was paid off, we'd be looking at whatever the payoff time is. Then they're outright saving money. With this option, it would be necessary for us to know what the turn around time is or the payoff time—whether you'd start saving money in 2 years, 3 years 4 years or whatever.

It would make a difference to us whether we did on-bill financing versus on-bill repayment. I think it could be a hassle getting a loan from your financial institution. But if the utility company had a streamlined process that made it easier—hey, that wouldn't be bad! It just seems like it's going to be easier to get the money directly through the utility. I mean either way they're still loans. Maybe it would depend on the cost of the upgrade. The cost is going to be relatively low in some instances—maybe only $5,000 in the lighting area and maybe then it would make a difference who the loan was from. Either way, I can see that there's almost a guarantee for the lender that they're going to get their money back because people pay their utility bills. And that's always good for the lender. They want to see that happen.

**<u>Public/government: Municipality</u>**

One big advantage for us of this option is that if we could get financing by working directly with the utility, it will be much more palatable to our City Council. So if was a loan added to our electric bill for an energy efficiency project related to a building or to City Hall, of course it would still have to go through City Council and get approval, but that's going to be more feasible than going to a bank and getting a loan to do a project. The reason is that we can't just go and pick a bank. We can't buy a pencil without getting three competitive bids! So the process of selecting a lender or a bank would be a huge RFP process. We can't just go to a certain bank because we like them. It would be unfair to other banks. Since we're public we have to do everything on a competitive bid basis. So even to get a loan we have to use a competitive process. It's all part of the State procurement rules. But if you're dealing with a utility, well I can't pick a utility company: I've got PGE, I've got NW Natural, I've got SAM Electric (Salem Electric). I don't have other choices. So If SAM Electric were to give me a loan for $100,000 to put into new lights and I would pay it back on my SAM Electric bill, that is probably something that is more feasible.

I think if this option were available, it might get some energy efficiency projects done that wouldn't otherwise get done. Our department survives off of property tax revenue. So with the number of homes for sale and number of people with delinquent taxes, our pot of gold keeps getting smaller and smaller so the availability of extra funds to do major improvement projects like relighting a park get put on hold because there is no funding because of the property tax situation. So if money was available to do a project that is in dire need of doing, yes I think the on-bill financing option might work.

As I said, this option would change our decision-making process in terms of not needing to get competitive bids. But in terms of how we'd view it as debt versus an operating expense and stuff like that, I don't know.

The convenience of having one bill to pay isn't really a relevant factor for us because if there were two bills to pay, it would mean we financed in a different way and that's not going to happen anyway.

**Public/government: Schools K-12**

I'd be curious to know whether the utility companies have had any input or thoughts on their willingness to be involved in this program. If they have, I hope their input has been positive because I think this idea sounds great. I would say it would be best if the utility would float the loan and the reason why is because just the general nature of the school districts—it's less administrative work to do and also just the idea of owing money to the bank is more onerous than owing money to the utility company. It just has different connotations and so it would certainly be better to go through utility company. And also it just makes sense to go through the utility company—you're doing energy upgrade projects and saving energy and so I think it's a very positive relationship.

As an example, and I wasn't involved in this, there were a number of programs over the last number of years that private investors were doing with solar power projects. They were installing photo arrays and our District was approached for that. We have an enormous photo array behind our middle school and currently that nets them $39,000 a year that comes off their utility bill, which is over and above what they pay for utilities so they're not even paying anything to the utilities at the moment because it's all being covered by the money being made from the photo arrays. And that's like a 15-20 year deal and then after that the investor is gone. He's paid off and he's made his money and the school owns the photo arrays outright and they'll have even more money coming in.

My point is that I see this on-bill financing concept as being similar. Let's say the District wanted to install energy upgrades, maybe a new boiler or even something larger scale, they could do it through the utility company and they're not paying any more money.

Well, that's a pretty strong incentive to go down that road because it's only going to improve the assets of the District. And not only that, it really shows well to the community that the District is not just sitting there waiting for money to show up—that they're doing something to take advantage of funds from different sources.

**Public/government: Municipality**

I get this option right away. It's easy to understand. And this option makes it sound like it would make things fairly easy for an entity to do more upgrades and not necessarily have to budget for it so to speak. So there definitely is some value there. And when I say an entity, I would include someone like us. I can't really elaborate on how easy it would be for us to take a loan with this option because I don't really work on the money end of things. I'm a supervising electrician and I propose energy efficiency projects and I coordinate the projects and make the sure the job gets done. And although I can't say for sure how this would fly with the money people, from my standpoint, I think there would be value. I would just have to go through all the proper chains to pull it off. It would probably be the type of deal where I would do the energy efficiency audits and then decide which facilities we want to do upgrades at. And then I'd run all the numbers and determine how much money we need and then the sustainability group would work with the utility to work out the financing portion of it. I can see the lender is going to feel reassured about getting their money back. And that's good. I'm not the one here who sees the utility bills on a regular basis. I only see them when I need to get the rate schedules for our Energy Trust forms. But I think it would be an advantage to only get one bill for the loan and the utility charges.

**Public/government: Public agency**

This financing option sounds interesting. But there would still be some kind of interest payment, right? But I'm thinking that if funding an energy efficiency project were an issue with us, this option would certainly be intriguing and maybe make it more doable. I would suspect with us it would come down to what the interest rate is hitting at because we also get money in other ways and it may be less expensive for us in the long run to get money in a different way, but again, depending again on the interest rate. Now if what was happening was that the utility said we're not adding interest to this—we're doing this because it benefits us, therefore there is no interest payment, then I think it would be like totally fabulous!

## 4. Nonprofit organizations

**Nonprofit: Hospital**

I'm familiar with on-bill financing. I haven't seen it in Oregon but I have heard of it in other parts of the country. And although I understand that what you're describing is a somewhat different idea, it has long occurred to me that the utilities in conjunction with their partners like Energy Trust could offer loans at zero interest just through payments on the utility bill. I always thought that was an idea that could get some traction.

But in regard to this on-bill financing option you've described, I think this is an interesting approach. It sounds like there might be no net cost increase while you're paying off the loan. I think that would be a hard thing to turn down. I do think it would make a difference whether it was actually the utility that provided the loan or whether it was another lender such as a bank. I think there would be an extra layer of cost if it were on-bill repayment versus on-bill financing. I think on-bill financing would get more support. I can see how in either scenario, the lender would feel reassured to offer this knowing they're likely to get paid back. And if there has to be a rate involved, it would absolutely make sense that it would be commensurate with the level of risk the lender is taking on, which is minimal in this scenario particularly with an organization like ours.

**Nonprofit: Assembly**

That's a good idea. They make it on the back end then. Some of the big mechanical companies that offer management as well as service have offered us financing before to manage the project and basically they take their fee out of the savings, which really net-net doesn't come out of our pocket for a long time. But the Board didn't jump on that train when it drove by! So I'm presuming they're not going to the second time either!

**Nonprofit: Retail**

My top of mind reaction is that it sounds like my utility bill wouldn't go up very much if at all and it seems like it would be a really convenient way to handle it. Of course, it would depend on what my other options are. I'm the bean counting guy so I would want to punch all the numbers in for all my options but on the face of it, that sounds like a very workable plan. The convenience for me would be we regularly pay our bills and once it were all set up, it would just fit in our standard routine. It's not like an extra check to write or an extra payment to manage. It would just all fit right in.

I would really want to study this option in terms of how it might affect how we look as financing as debt and whether it would be an operating expense instead of debt. I think in a weird way it might affect how we look at these things but that maybe it shouldn't. As someone who has studied accounting a little bit but who understands it more theoretically than practically, I would want us to examine different options and different ways of tracking it and I would want us to do it correctly and to do it right. Especially in a nonprofit situation where people will come look at your books in order to give you a grant and so they need to be done properly and they need to be audited and they need to be done according to certain regulations and all this kind of stuff. So those kind of things creep in. But most of the people in this organization don't think that way and their knee-jerk reaction might be to find this option really attractive but it might just be a way to avoid understanding how it should be done. So while I say it sounds convenient and I'm warm to the idea, it might not actually be as easy and attractive as it sounds. The convenience might be to go with the on-bill financing but you know we have a pretty good relationship with our bank and so the advantage of going with on-bill financing is in theory that you have one phone number to call if I had a problem with the bill and so that makes some sense. But I just don't know. Plus, as I said earlier, we're an organization that hasn't needed to do financing and we're also renting our building.

## Commercial Loan Financing Option

**Overview:** All respondents were aware of this option and many had not pursued it simply because they don't finance energy efficiency upgrades (see Financing section). However, when asked if they might <u>ever</u> consider a commercial loan as a financing option, private business respondents were the most likely to say yes. Many feel they have a good relationship with their financial institution and have confidence they could secure a loan at a good rate. Among those who were unlikely to consider a commercial loan, they felt it would be too much work, they lack confidence in banks and credit unions, or they are simply opposed to financing. In general, respondents from government entities indicated they are very unlikely to consider a commercial loan.

**1. Might consider a commercial loan**

Eleven respondents said they might consider financing energy efficiency upgrades through a commercial lender, most of these representing private businesses. Reasons cited were varied but included the following:

- Have a good relationship with my financial institution
- Borrowing through a bank or credit union is a more stable source
- Prefer having my bank involved in my finances rather than another third party
- Have confidence that my bank would be willing to offer a commercial loan
- Assume that my financial institution would offer me good rates

A couple of respondents qualified their response by saying the rate on a commercial loan would have to be “an awfully good deal” and that they would also check out other financing options.

One respondent said his business would consider their bank for a commercial loan partly because it’s “the path of least resistance”. He explained that he doesn’t time to do a lot of shopping around and that he’s been with his bank for years and years and they know him.

Other respondents said they would consider a commercial loan either because they had previously financed this way or had investigated the option and knew it was possible. These respondents were careful to say that they wouldn’t necessarily choose this option but it would be a consideration.

**2. Unlikely to consider a commercial loan: Private businesses**

Three private business respondents said they would be very unlikely to consider a commercial loan. One respondent said it was too much work or “too many hoops to jump through”, and two respondents expressed negative feelings about banks with one saying that banks don’t really want to lend money to small businesses and the other saying banks are untrustworthy.

**3. Unlikely to consider a commercial loan: Government and nonprofit entities**

All but one government agency in this study rejected the commercial loan option immediately. However, it was not because of a negative attitude but simply because they don’t finance anything. Two of the nonprofit respondents in this research also gave the same reason.

**4. Other responses**

Among other responses, one said the type of financing is not the critical factor but that ease of use is more important. Another said credit unions are better than banks.

**Respondent quotes are divided into four categories:**

1. Might consider a commercial loan
2. Unlikely to consider a commercial loan: Private businesses
3. Unlikely to consider a commercial loan: Government and nonprofit entities
4. Other responses

**Respondent Quotes**

**1. Might consider a commercial loan**

**Private business: Retail**

If I were to finance an energy efficiency upgrade, I would most likely borrow through my bank or credit union. I would want it to be a stable source. Also I don't want to have to be continually dealing with more and more parties involved with my business and my finances. So if financing were available through my bank or credit union, it would be better than having a third party involved. I would rather go with the traditional style loan. I'd be more comfortable with that.

**Private business: Retail**

I have a good relationship with my bank. So yes, I would go to them to ask about financing with a commercial loan, if I were considering it. It's because of the relationship.

**Private business: Retail**

We're a pawn shop. Pawn shops obviously have a certain stigma in all markets and so most banks will not run loans or do anything with pawn shops. However, we have a bank that will do that for us. We've been in business for 30 years and we've established ourselves. And like I said earlier, we have an open $50,000 line of credit with our bank. And when we were going to expand a year ago, we looked at financing from our bank. So we know we have the commercial loan option with our bank if we were to finance an energy efficiency upgrade, if we wanted to go that route. I think in our case, the loan rates that our bank would offer us might be better than with other financing options.

**Nonprofit: Retail**

If we were to consider financing, the first place we would turn is probably to both our bank and our credit union. We have good relationships with both. So we would ask right upfront what are the commercial loan options and start there.

**Private business: Manufacturer/retailer**

Our first choice would be to finance with our bank. We do have a line of credit with them. It's available all the time but the interest rates vary all the time so we would certainly take a close look at that. We would probably do online research on interest rates with other financial institutions and we would be open to looking at other financing possiblities.

**Private business: Office**

As I said earlier, I think if we got to the point of wanting to finance, we would consider traditional debt through a bank or credit union. Our number cruncher guys are fairly objective and if they see value in something, they're going to pursue it regardless of the source. However, from working with our comptroller, I know the commercial loan would have to be an extremely good financing deal. It would have to be better than what our current banking arrangements would offer and what those are, I don't know. So I guess it couldn't hurt to have somebody offer us a commercial loan but it would have to be a really special rate or something really attractive.

**Private business: Retail**

I would consider going to my bank for financing. But that's partly because anybody who owns a business doesn't have much time to go shopping around. I would probably do a little shopping around but the thing with my bank is that I've been there for years and years and years and they know me. I don't necessarily love my bank but it's almost the path of least resistance. So that would make it more likely. However, if there was another option I was aware of that had low rates and whatever, I would definitely be open to doing that. But the amount of time I have to research things is limited so I would probably look at one or two things—my bank, a credit union. It would also depend on how much I wanted to borrow. I have a credit card with a 5% interest rate so maybe that would be cheaper in some cases.

**Private business: Auto services**

As I said earlier, we financed our lighting upgrade through a traditional financial institution so we'd consider a bank or credit union if we were to do again. But it's partly because that's what we know and have experience with.

**Private business: Grocery**

I have borrowed money from my bank to do my freezers and other upgrades. And it went smoothly. And I have a good relationship with my bank. So, if I were to finance again, I would consider doing a commercial loan again. But I like the on-bill financing option and so I would also consider that if it were available. And as I said before, the commercial loan process is always a pain and maybe the on-bill financing would be easier.

**Nonprofit: Hospital**

We did talk to a couple banks before we decided to finance internally. We checked with banks to see what kind of rates we could get. So we were open minded about it and we did look at our options to see what was best for us. And we decided financing internally was best. But the advantage of getting a commercial loan to do projects is that we're not taking away from our cash on-hand or our capital money. So that's why it's attractive at times. But it depends on the amount of money needed and rates and how long the debt would be. So there's all those things that have to be considered when we look at taking on a debt.

**Public/government: Schools K-12**

We did look into going with a bank for a commercial loan. Here's what happened. As I mentioned earlier, we did a municipal lease-to-own. However, initially the company offering us the municipal lease was going to fold our loan into loans for two or three other districts and then at the 11th hour, one or both of the other districts backed out so the municipal lease company said we can't do your loan, it's not large enough. And that's when the District talked to a bank for a commercial loan. And we were actually moving forward with the bank. But then municipal lease company changed its mind and said they could still make it happen so that's what we ended up doing. But the Superintendent was seriously considering going with a bank. Now I can't say every district would consider a bank loan. Some are more conservative and may not want to go that route. It really has an awful lot to do with need and the ability the district feels it has to cover itself just in case something happens. Some districts feel they have almost no room, no margin for error if something changes. Other districts have a better cushion so that if the dollars don't come through as expected, they still have a way to take care of that obligation.

**2. Unlikely to consider a commercial loan: Private businesses**

**Private business: Retail**

Well banks or credit unions are always a standard option. They're always available. But I think trust is a big issue when it comes to who you're borrowing money from. And banks are crooks. People don't trust lenders anymore no matter what form or shape they're in because the banks have turned their backs on small businesses, which have been the back bone of America. Banks got a ridiculous amount of bailouts and they hurt small businesses. So there you go. I've said my piece and I won't borrow from a bank.

**Private business: Pet services**

Banks say they love to lend money to small businesses but when we got into it, we found that they really don't. The bank told us our business didn't have any credit and because of that, they wouldn't look to see if our business credit was good. They wanted to look at our personal credit. They said we'd have to do it on our personal credit. And we said, what do you mean, we've been in business for 7.5 years! How can you tell us that? And honestly my business partner and I pay our business stuff before we pay ourselves and so our personal credit probably isn't as good as our business credit is. But they wouldn't look at our business credit. Banks only like to lend money to people that have money. And we've never had problems with paying our bills. We always pay everything. We would really love to buy the building we're in but that's another problem. Actually, we haven't even tried because we're pretty sure the banks won't loan us the money because they wouldn't even loan us the money to do the upgrade on our building.

**Private business: Grocery**

I don't think we would consider a commercial loan for financing an energy efficiency upgrade. It's just a lot of extra work. There are too many hoops you have to jump through. As I said earlier, we financed a big remodeling project with a traditional financial institution but we probably wouldn't go that route for just an energy upgrade project.

**3. Unlikely to consider a commercial loan: Government and nonprofit entities**

**Nonprofit: Hospital**
We wouldn't consider a commercial loan. As I explained earlier, we don't undertake anything that involves a layer of profit for someone else. And banks or credit unions would fall into that category—they're going to have to make a profit on it. That's what they do.

**Nonprofit: Assembly**
Well as I said, we don't borrow money. We don't finance. So I just don't think we'd ever consider a commercial loan.

**Public/government: County**
I wouldn't even go there! Certainly within my department, financing through a commercial loan would not be feasible. It would not be option for me to look at—it's not something we do. I don't know if other county departments might look at this.

**Public/government: Assembly**
I'm aware of commercial loans but it's not something we would do. We don't finance.

**Public/government: Municipality**
For private companies this is a good option. You shop your banks, you have your friend that's a banker or you see the loan rates advertised in the paper or whatever. But for a public agency that's self-insured, it doesn't work.

**Public/government: Municipality**
As I said, financing is just not something we do. But of the financing options, I think getting a commercial loan would be the least likely course of action for us. The on-bill financing option through the utility would be more likely.

**Public/government: Municipality**
I don't want to say it would be totally out of the question for us to consider a commercial loan. But I certainly don't think it would be one of the options ranking highest. Frankly, I think it would be pretty unlikely. When I think about facilities we're looking at upgrading, I'm thinking in terms of things like an ISA loan through the State that we're able to pay off over time. We still reap the benefits of the savings but your savings are virtually paying your loan payment.

**Public/government: Public agency**
I don't think I even need to comment on this because we would never do it. We don't finance.

**4. Other responses**

**Private business: Retail**
If I did financing, I might consider a bank or credit union. But where I get the financing is not the most important thing to me. My recommendation for any financing program is that it should be turnkey. By turnkey, I mean it should be super easy—like just fill out this paperwork and get approval in 48 hours. To attract me, it has to be easy, fast and cheap and a good deal. That's the most important criteria.

**Private business: Restaurant**
Well, as I said earlier, we would be unlikely to consider borrowing money. But if we did, I would go with whoever gives me the best deal. I've never dealt with a credit union but that's who I would look into first. I say that because I think credit unions always have better options for rates. The bank I'm dealing with is not so great. Let's just say I'm not a big fan of them.

## Financing Messages

**This section includes the following summaries:**

**A. Messages: Open-ended responses**

**B. Specific Messages**
- Message 1 responses
- Message 2 responses
- Message 3 responses

## A. Messages: Open-Ended Responses

Before respondents were read three specific messages, they were asked on an open-ended basis what message would be most compelling for their organization to consider financing for energy efficiency projects. The responses to this question are varied and broad in scope but revealed important issues. Some key themes that emerged include:

1. **Messaging needs to include specifics.** Perhaps one of the most significant findings revealed here is that many respondents want financing messaging to include specifics about the "offer". For those who find financing a turn-off, <u>general</u> messages about financing may fall on deaf ears. Just knowing that you can do it may not be enough. Many want the message to include specifics about why it is a good deal for them. As one respondent said, "Any businessperson knows they can borrow money and they know where they can borrow money to do these things."

   - **Level of specificity:** The level of specificity desired about the financing "offer" varied. For some this might just be as simple as saying "competitive rates" or "it's a good deal". But others want messaging to include specific interest rate information and some even want information that is particular to their project, including ROI and payback.

   - One respondent said it would have to be "the perfect storm" for Energy Trust to effectively reach him with financing messaging. He said it would have to be at the exact time when he had an urgent need for a specific upgrade and that the messaging would also need to include specifics about the "offer" for the item he needed (e.g., an HVAC).

2. **Other suggested that financing messaging should address:**
   - The impact on bottom line and cash flow.
   - The ease of using financing and that resources are available to guide the business owner through the process.
   - The value getting things done now rather than wait.
   - The value of reinvesting in core business.
   - How financing can help meet sustainability goals.
   - How peers have taken advantage of financing programs successfully.
   - Rising energy costs.
3. **There are also indications that messaging should clearly differentiate reasons to <u>finance</u> from messaging about reasons to do energy efficiency upgrades in general.**

**<u>Respondent Quotes</u>**

**Respondent quotes are divided into the following 9 categories:**
1. Message needs to include specific ROI or interest rate information and/or needs to emphasize impact on bottom line and cash flow.
2. Message has to address a specific need I have right now

3. Message needs to reinforce getting projects done now that are overdue
4. Message needs to underscore a reinvestment in core business
5. Message needs to address rising energy costs
6. Message needs to emphasize ease of use
7. Message needs to emphasize sustainability and the environment
8. Importance of hearing how peers have financed
9. Other

(Note: As the above list indicates, some of the open-ended suggestions provided by respondents were themes from the three specific messages that were later explored with respondents.)

**1. Message needs to include specific ROI or interest rate information and/or needs to emphasize impact on bottom line and cash flow.**

**Private business: Office**

I think the message would have to include the potential lender's offer and it would have to be aligned with the project ROI. I think the lender really has to be able to tailor their offering to whatever project is being considered. Then, if say you've got a project with a 10-year ROI, you're going to look at your financing within that context. Whatever message they would have would have to be tailored and flexible to meet the needs of a given project. I just don't know how else to put it.

**Private business: Auto services**

I think a compelling way to get people to consider doing financing would be for Energy Trust to lay out some basic numbers that result in an business saying, "Why wouldn't I do this?" Let's say you're going to save $1,000 a month on your electric bill but your payment might be $1,000 a month, then why wouldn't you do it? At the end of the day, you're going to pay the loan off in however long say 36 or 48 or 60 months and then you're going to be reaping that benefit and in the meantime, you've upgraded your lights or whatever.

**Private business: Grocery**

The biggest message is to help people figure out their return on investment. If you can figure out that hey I'm going to save $200 a month, and it's only going to cost me X amount of dollars, well it totally makes sense then to finance! In only 2.5 years, it's going to be paid off. And then I'm reaping the benefits of it being more energy efficient. If you just pencil it out, it's usually a great investment.

**Private business: Manufacturer/retailer**

The message that would compel me to consider financing is, "Start saving money now!" And it would have to include something about the interest rates being offered. Rates are key.

**Private business: Retail**

For starters, I think any businessperson knows they can borrow money and they know where they can borrow money to do these things. So in my opinion just knowing that you can borrow the money isn't enough to get people to act. I think if you want people to act on it, the message has to include something about it being a "good deal". There has to be more of an incentive to do financing than just you can go to your bank or your credit union or somewhere to get the financing to do it.

**Private business: Retail**
I think a good message would be for Energy Trust to say which financing people are good to work with and have good competitive rates. I try to shop around on things if I can but that information from Energy Trust would be helpful.

**Public/government: Public agency**
The most important thing in doing energy upgrades with or without financing is Energy Trust's evaluation showing that there really is payback. To me when Energy Trust offers either the incentives and/or provides information on financing, it has to show the return on investment. Because to me what Energy Trust is saying is that this is real world—it's actually worth it and it's not just someone saying hey this must be a good idea because it's green. I'm going to be impolitic for a moment. I think there are a lot of folks who kind of jumped on the green bandwagon and now believe if someone says because it's green, it's got to be good. And sometimes you can do things that may sound green but actually when you start looking at them more closely, they're not. And so that whole process of Energy Trust providing an evaluation and saying yes, we are seeing the payback is very important. And a great example is that Energy Trust didn't jump on the LED bandwagon until they could see that there was enough stability and enough actual return to make it pay. So it was only last year that I think Energy Trust starting giving out incentives on that. Whereas people were saying we've got to do LEDs! I say, great, but let's make sure the technology is good. I realize I may not be the norm in my thinking but that's my opinion.

**Nonprofit: Hospital**
I think a compelling message would be to say: "How would you like a no-cost way to finance your energy efficiency project?"

**Private business: Restaurant**
I think the message needs to be very clear that the financing is on top of the Energy Trust rebates and that with both, it's fantastic—you can really save money.

**Private business: Retail**
The best message to convince people to use financing is just to keep cash flow. Keep your money in your pocket and use somebody else's money for a fee.

**Public/government: Municipality**
The most compelling message is saving your tax dollars! Or reinvesting your tax dollars into an energy recovery system. I think Energy Trust is going to be hitting home runs all

the time if they come up with a financing message that captures the eye of the customer's budget and resources.

**2. Message has to address a specific need I have right now**

**<u>Private business: Retail</u>**
I know this is a big challenge but I have to say it would almost have to be the perfect storm for Energy Trust to hit me with a financing message that would motivate me. Because I get inundated with this stuff every day and the message has got to hit me at a time when I need something. And then it has to be very readily apparent in the message that it's about something that's addressing my <u>specific</u> need. I have to be in the market for it, like an HVAC, otherwise I'll ignore the message. So I'm talking about a message like, "Hey you can get an HVAC unit potentially financed for 1.75% over the course of 10 years and here's who you should contact to do it". And then follow it with "here's a website where you can go to check it out". A piece of advice I have for Energy Trust is to make any message related to financing as easy and stupid as possible. It sounds dumb but they should use big letters and big numbers and keep it really simple.

**3. Message needs to reinforce getting projects done now that are overdue**

**<u>Public/government: Municipality</u>**
I guess the message I would run up the flagpole is that financing is a chance to get projects done that are way overdue, both safety wise and energy wise. Get them done in a timely manner rather than just waiting year after year for budget approval. Because when you talk about some of these projects, say lighting for a parking structure or lighting for a park, there is safety involved both for the public and the patron so you don't want to keep putting stuff off and off and off because it never makes it through the budget and then have something happen to a person.

**4. Message needs to underscore a reinvestment in core business**

**<u>Nonprofit: Hospital</u>**
In my view, it would be great if Energy Trust could connect financing with a statement that says for every energy dollar you save, it's $20 back to the facility to use for making other improvements. I'm just using an arbitrary number as an example but if there's some sort of catchy message like that, it would work for me.

**5. Message needs to address rising energy costs**

**<u>Private business: Entertainment</u>**
When I think about a good financing message, I start by thinking of the negative and that is that the power rates are not going down. So if you can save money on the front end for something that has a long-term life, you're going to save even more down the road. I think Energy Trust needs to come up with a way to say that positively. I hope that didn't sound like gibberish.

I’m sure people don’t understand that the money they’re paying in for the public purpose charge is for them to use. I think the perfect example is the progression of what’s happening with LED lighting. It used to be the incentives were greater for LEDs but that’s when the prices of the fixtures were higher. And as the price of the fixtures has come down, the incentives go down. But it all comes out the same in the wash because you’re going to pay the power bill one way or the other so why not put the money out upfront and get the benefit over the long term of it. But I don’t think a lot of people get that.

**6. Message needs to emphasize ease of use**

**<u>Private business: Grocery</u>**
For me, as a relatively small business, the ease of using any kind of financing program is critical. It’s that someone will hold my hand through it and that there are enough resources there to guide me through it. For example, I am so dependent on my lighting contractor! He’s the one that’s done the best for us in terms of informing us that we qualify for incentives and doing all the paperwork and just really doing the heavy lifting for it. So for me, a financing program would need something similar. It’s important that the program be straightforward and that there are all these pamphlets, brochures or whatever that will make it clear and that will lead me through the process.

**7. Message needs to emphasize sustainability and the environment**

**<u>Public/government: Assembly</u>**
As I’ve said, we don’t finance anything. However, if a financing message emphasized sustainability, it might motivate us to consider financing. Our sustainability goals are vastly important here. It’s partly tied to being accountable to the public and showing how we have these goals and that we’re meeting them. So I think if financing were available that could allow us to stay in budget and also meet our sustainability goals, it could be a win-win!

However, I have to admit that I’m not sure a sustainability message would be so compelling to the private sector as to us. In the private sector, energy savings is driven by cost and how much you save—saving energy is always equated with saving money. Because the money is coming out of their own pocket, they look at it as: “If I’m going to save energy, I need to save money.” If you propose something that’s going to cost them, they’re just going to look at you and say, “Well have a nice day!”

I think Energy Trust understands energy savings doesn’t necessary mean cost savings. I think that’s at the heart of their mission and that’s why they have incentives. The incentives allow people that are bottom line driven to be able to afford to do the upgrades. But Energy Trust’s mission is to save energy and I think that’s the kind of education it needs to continue to put out there whether it’s related to financing or not.

**<u>Public/government: Municipality</u>**

I think it's important to emphasize sustainability. Probably something as simple as, "Here are opportunities to help you with financing your sustainability projects". Something along those lines. Sustainability is definitely important to us and being energy efficient is not just based on dollars—not at all.

**Private business:  Retail**

Especially in Portland, I think businesses care about sustainability. So I think businesses in Portland might respond to a sustainability message as well as just the dollar savings. Like with the plastic bag ban, which happened a couple years ago, I was already printing up paper bags before the ban and so were other businesses, including those offering reusable bags. And it's a lot cheaper to spend two cents for a plastic bag versus getting bags printed up like I was doing. Obviously this is a moot point now in Portland, but previously there were a lot of people that did that.

**Private business:  Grocery**

We're just really different in the sense that the return on investment and the reduction in energy costs are a nice bonus to make changes but it's not our main driver. We really care about sustainability and that would be important in any kind of financing message to us. I think it was about 7 years ago that we changed out all the lighting in one of our buildings from T12s to T8s. And there was no reason to do that—we just thought it was the right thing to do. And we did get Energy Trust money to do that and that was all well and good but we would have done it anyway. It made it easier to make the decision because we got the rebates.

**Private business:  Retail**

Well one of the key things Energy Trust is doing is providing a savings and all businesses are looking for a savings. So I think emphasizing the savings that's being offered to the business should be part of the financing message. But I also think because we're in Oregon, Energy Trust also has to suggest that all that consumption in savings will also be a resource savings so it would be good for the environment. So those are the angles I would take. Tell them first they're saving money, then tell them they're saving the environment and therefore they can feel good about pocketing the difference and continue to operate. They don't necessarily have to pass it on to the consumer. Because, again, just think about how long it's been since people have been able to raise their prices. Our taxes have gone up, our electricity rate has gone up, our sewer rate has gone up, everything else has gone up. So Energy Trust is giving the businessperson a chance to actually save money.

I get a kick out of one of the things they do in Oregon that they don't do in California. In Oregon, when people don't run their air conditioners in the summer, they call it eco-friendly or conservation. In California, we just say it's cheaper or that the equipment is broken!

**8. Importance of hearing how peers have financed**

**Public/government:  Schools K-12**

If Energy Trust had any examples of school districts in Oregon or elsewhere that took advantage of financing programs that showed real value, that would certainly get my interest because that makes it real. If Energy Trust could say here's a school district that actually did financing so that it's not just a hope but that it's actually been done by customers. And it's especially helpful if it's an example specifically for other schools.

If Energy Trust takes this on as a project—to educate customers about financing, and they engage in conversations about the best ways to communicate the financing options message, I am certainly open to being involved and offering my experience. Schools are my passion and I want to help Energy Trust to be able to get the message out to the schools in a way that schools understand it better and get them to consider it.

**<u>Nonprofit:  Retail</u>**
I think nonprofits like me are going to be initially opposed to the idea of financing and it's hard for me to think of just a simple message that might get me to consider it. I think the most effective thing for me would be to hear it from another organization. Let's say I go to a Nonprofit Association of Oregon event and sit with other people from nonprofits and learn from a speaker at the event or even someone at my table that says we're doing financing and it saved us money and there's big energy savings in it and it's not as complicated to get into as you think. That would probably go a long way with me.

### 9. Other

**<u>Public/government: County</u>**
I think Energy Trust needs a header bullet item on their website that just basically says "Financing Options Available". That would be enough to pique my interest.

## B. Specific Financing Messages

**Respondents were read three messages and asked for their feedback.**

**Message 1:  I'd rather lower my energy costs <u>now</u> (through financing) and spread out the cost of improvements rather than wait and continue to waste energy.**

Overall, this message had a positive response and of the three messages tested, it probably had the greatest appeal. It speaks both to business concerns about rising energy costs and achieving goals of sustainability. As one respondent said, “I think there are only two reasons people spend money for energy efficiency upgrades: it saves them money or it’s just the right thing to do for the environment or both. So this message gets at that.”

This message was quickly understandable to most respondents—whether they like it or not—which is a plus. Among respondents with a positive reaction, several mentioned that the emphasis on taking action <u>now</u> is very compelling. Respondents who were unsure or had a negative reaction, felt the message was less focused on the bottom-line costs of running their business.

**Respondent quotes for Message 1 are divided into two categories:**

A. Positive responses
B. Negative responses

**<u>Respondent Quotes</u>**

**<u>A. Positive responses</u>**

**<u>Private business: Retail</u>**

That is a good message. It’s compelling. I just think it’s really important to hammer home how it’s more cost efficient to do it <u>now</u>. That’s one of the things that really helped me with my lighting upgrade. When I forked over the $2,400, I thought well, I can wait until more of my light bulbs burn out so that I’m actually using the things I’ve already paid for or I can do it now and it will pay for all those light bulbs and everything else within 13 months. So I think that’s a compelling thing to say to get people to consider financing.

**<u>Nonprofit: Hospital</u>**

I think this message is really important right now. Especially with the health care reform starting, our medical center is going to need to save wherever we can to survive. And I know now that from these energy projects, we’ve saved 20% on our energy bills and that’s really going to help. It’s a huge amount. It’s great when a CFO can say we did these energy projects and we’re continually saving this amount, and as prices rise that number is going to get higher. It’s a forever savings as long as you’re keeping up on the equipment and so forth. I think if Energy Trust can present it that way to customers it will be motivating. But, as I said earlier, some customers just have a stonewall when it comes to financing and just don’t want to even consider it and that’s unfortunate.

**<u>Public/government: Assembly</u>**

I think there’s a cool benefit in this message. Because it’s saying you could start saving energy right now and meeting your sustainability goals and not necessarily strap or lock down the budget. That’s not a bad idea.

**<u>Private business: Entertainment</u>**

I think this message is talking about the waste of energy and resources. And I can understand the positive value of that. Because basically, I think there are only two reasons people spend money for energy efficiency upgrades:  it saves them money or it's just the right thing to do for the environment or both. So this message gets at that.

**Nonprofit:  Retail**
Yes, that's a very logical message—it's a logical argument. It might be a little pushy to people but the essential message in there makes sense.

**Nonprofit: Hospital**
I like this message. But I would want to change the end of the message to say: "…rather than wait and continue to pay the higher energy cost without ever getting the benefit."

**Private business:  Grocery**
I think if an energy efficiency upgrade is going to be more efficient and the cost is going to be recouped fairly quickly then a message like this totally makes sense.

**Private business:  Grocery**
Oh, I love that message!  I like it because saving energy now instead of paying high rates until I can fully fund it myself, that's very compelling.

**Private business:  Manufacturer/retailer**
This message is good. I think people are more concerned about energy costs than they were 5-10 years ago. At least I am. And I think that's why financing makes more sense now.

**Public/government:  County**
Oh, yes!  We're really concerned about energy costs. It's demanded on us to think that way. And we're doing all kinds of things to address that so anything that could help us achieve greater energy efficiency, we're interested in. And that would include financing.

**Public/government:  Municipality**
As you know, when you asked what I thought would be a good message, I mentioned sustainability. But now that you've read this message, I think it sounds really good too. Maybe this message is sort of getting at sustainability.

**Private business:  Auto services**
Sure, this is a good message. It's good.

**B.  Negative responses**

**Private business:  Office**
Well, as you know, the financing message I suggested was more bottom line focused compared to this message. This message sort of takes into consideration a company's moral compass or their environmental ethic as opposed to their bottom line. If Energy Trust sees there are people that would do energy upgrades because it's the right thing

to do and are willing to make the investment upfront, this message could be good. But I think most businesses are going to be most concerned about managing the costs.

**<u>Private business: Retail</u>**
That's a tough sell because the cost of energy fluctuates. What kind of energy are we talking—are we talking electricity, fossil fuels and then how long is the pay off. If my payoff is 10 years, there's no way I'm going to look at it. The factors that would get me to consider financing are more about the amount of money and how cheap the money was. And my concerns about increasing energy costs haven't reached the point to where they're a motivating factor in me considering financing.

**<u>Private business: Retail</u>**
I'm not sure how to respond to that message. I guess the appeal of this message would depend on how long term of an investment I've got into the building and right now I'm renting my building. So I'm just not sure how I want to answer that. I will say this, considering the size of my business, I don't find myself becoming more concerned about energy costs. We're small. I only have two employees and we're just in a little building. And because I'm a rock and landscape company, all my merchandise is outside the building.

**Message 2**: **Having access to financing tools is a way for me to replace current equipment that isn't working that well.**

This message resonated with many respondents across all segments. Many can immediately relate to it because they've been in the situation of having equipment that's not working well but are waiting to replace it until they absolutely have to. And it appears that some would replace equipment sooner if reasonable financing were available. Several commented that they realize hanging on to older equipment not only wastes energy but also costs them more in repair, maintenance and “hassle” costs. One respondent even got so excited about this that he decided to immediately follow-up with his contractor on replacing his boiler with financing.

The strength of this message is that it’s specific, and more so than the other two tested messages. But its specific nature may also be its weakness. For respondents who don’t hold back on replacing equipment, they liked the message for others but didn’t feel it was relevant to them.

**Respondent quotes for Message 2 are divided into three categories:**

A. Good message—hits home/can relate
B. Good message for others but not for us
C. Message needs more specifics

**<u>Respondent Quotes</u>**

**A. Good message—hits home/can relate**

**The first quote is a respondent who was so motivated by this message, he decided to take action immediately.**

**<u>Private business: Manufacturer/retailer</u>**
You know I never thought about that. The building we are in was built in around 1950 and it has probably the original boiler for the shop portion of it and it has a medium efficiency gas furnace for the office portion. And we put in the gas furnace but you know that’s probably now about 18 years old and I have a feeling it’s not going to go a lot longer. But we might not do anything until something breaks. I know I have had the furnace people out and the boiler people out a few times over the years but I’ve <u>never</u> asked them should I upgrade this equipment <u>now</u>. But I probably should. If I could work out a financing option where I didn’t have to make much of down payment, it would be very appealing. I think I’m going to call my heating contractor and just ask them what kind of efficiency I could gain. I never thought of that.

**<u>Public/government: Municipality</u>**
Well this message really hits home! When we’re dealing with budget items, a lot of times the budget committee when they’re going through the process of looking at projects will say oh that can wait another year, it’s not that important. That’s how they pick and choose what stays on a budget. So if we have a lighting project upgrade to a building, they’ll say oh the lights are working fine, that can wait another year and another year to the point where they fail completely and then they say why didn’t we do this three years ago! That’s what we get! The attitude of if it’s not broken don’t fix it but when it does break, they say, “how come you didn’t fix it yesterday”.

**<u>Nonprofit: Retail</u>**
I really understand the mentality of hanging onto old equipment that’s not working well. It’s an attitude of “well, it’s still working so I don’t have to think about it”. It’s definitely

something that goes on with businesses. And for our organization, where we're dedicated to reusing computer equipment—it's our whole reason for being—I see that ethic where we really, really want to get every last bit of life out of something that was created because there's a logic in trying to do that. But sometimes it's such an energy hog that it would be better to put that piece of equipment out of its misery and go with a more efficient model. So I think this message would hit home with some people.

**Nonprofit: Hospital**
Oh, we do that in our business—wait to replace things until they die. So I think this message has a valid point but I feel like it could be written in a more compelling way like: "Why delay your savings any longer?"

**Private business: Grocery**
I think a message directed specifically to replacing old equipment would be good. And the other thing you come across when your equipment is that old is that you have to repair it all the time and those costs add up really fast.

**Private business: Retail**
I understand this message and I see what it's getting at. I have an older furnace that heats my store. From what I've been told by the HVAC people, it's a rock solid unit and they say, "take care of it and it will take care of you". So even though I know it's old and could be more efficient, at this point, I've decided to hang with it because it's cheaper for us to run this unit than to have a 5 or 6-year return on a newer unit. But this is the kind of message that would make me think about financing.

**Private business: Pet services**
This message appeals to me because it's exactly why we financed our lighting upgrade. Our lights were working but they weren't great and we knew they wouldn't last long and we wanted to do the upgrade before it became an emergency situation.

**Private business: Retail**
Yes, that would definitely be a good message. If I think I can get savings on my energy bill and not pay a whole lot more out of pocket than I would normally—like not have a huge upfront bill—then yes, I would definitely be more encouraged to replace equipment sooner rather than later. If it costs me $10,000 to replace something and it was like okay you've got to do it, it would be like "oh, crap". I don't have $10,000—I'll try to save up what I can and hope it lasts long enough for me to get some money to pay for it.

**Private business: Restaurant**
I like this message because I experienced this situation with our fryer. It wasn't that we desperately had to get a new one because the old one was working. But we knew we would be saving money in the long run by replacing it. So I think this is a good message. If I know there's a way to replace equipment with financing, I would probably buy sooner rather than waiting. When we got our new fryer, it scared me for the first couple of months because it just turned off by itself for no reason but gradually it started working well. And now, I'm happy about it and the equipment is working well and it's

fine. I like the way it's shutting off by itself and only in use when needed—it's saving me money!  It works automatically temperature wise—you set it on one temperature and when you don't need it, it just cools down and shuts off. I guess when the temperature gets to the point when it needs to be shut off, it does and when it needs to turn back on, it does.

### B. Good message for others but not for us

**Public/government:  County**
There are organizations that wait until equipment dies to replace it. It's called "run to failure". This message would be a compelling thing to say to those folks---don't wait, replace now and start saving.

**Nonprofit:  Hospital**
You know, as Director of Facilities management, my department is the gatekeeper of our major equipment, and in my view if you are not doing asset management planning and facility planning, you're not doing a very good job. We are continuously looking at our older equipment and saying okay, here's our life expectancy and when should we start looking at replacing it, which direction should we go. And I think if people are not considering replacing old equipment, they're not doing their facility justice. The last thing you want to do is wait for it to break. It's short sighted because it costs more. This could be a good message for those people.

A good example is we did not do anything to our boilers. I have two large boilers. We don't have a large steam load in this facility because I have geothermal—I use a lot of geothermal to heat the facility and it saves me thousands of dollars. However, I have these two large boilers that I need to maintain because during the colder part of the winter I need to supplement that geothermal to make sure I maintain my temperatures. So now we're looking an energy project to change those hot water boilers and maybe just having one small steam boiler or two small steam boilers just to keep the steam up in the small areas where we would still use it. So that's already in our mindset—we're already looking at when we're going to be seriously looking at replacing those.

**Private business:  Office**
I think this message might be appealing to some folks. It reminds me of a "cash for clunkers" model. But if there were some sort of financing offer around that—a trade-in value or a buy back program or something like that, it could be appealing to some.

### C. Message needs more specifics

**Private business:  Retail**
That message won't work for most people. Because again this is a tough economy and if you're still alive, you've learned how to tighten the belt so with all that in mind I think what Energy Trust needs to do is to show them the payback window. If somebody is running a 40-year old air conditioner, their efficiency is probably one-third of a higher

end one. But it's important to give the customer the option of that mid-price one along with the higher end one and either way, they're going to have a major payback savings. And they might go for that cheaper mid-price one and it may not work out great for the environment but it will immediately have an impact on improving their circumstances. I have first hand experience because I just had to replace my air-conditioner and I looked at one that was really, really high end, a Sears brand, but oh man, they cost way too much. So I found one that I felt was at a legitimate energy-savings level that was at a price we could afford.

**Private business: Retail**

For someone like me, I only think about these things when it becomes catastrophic. I hate to say it, but my brain in business mode works on the immediate need. And when I had to replace my HVAC unit, I wasn't in the HVAC mode. My HVAC was only 6 or 7 years old—and those things ought to last 10-15 years or more. So I wasn't thinking about HVAC units until it became catastrophic. Now, if I had a business where I had more equipment and machinery, well maybe I would be thinking about that stuff more often and thinking more along the lines of, I'm going to have to replace this thing in another two years and here's Energy Trust saying I can get low financing then I might think oh, maybe I should do it now. So I still think this message is an interesting idea marketing wise. And maybe Energy Trust could identify certain pieces of equipment and put together some numbers like: hey did you know that a standard refrigeration unit lasts for 10 years? How close are you—is it 3 years away or 4 years away, well maybe it would make more sense for you to replace it now. And then provide some numbers or averages that say if you replace your 6-year old refrigeration unit or HVAC or whatever, it could potentially save you up to this much. That to me would make a lot of sense. But it's a very targeted thing. And I know it would take some work for Energy Trust to do this. But hell, maybe that would be worth it to Energy Trust. I think it's something that will take a lot of effort on Energy Trust's part but I think that effort is worth it.

I think this message should also include mention of whether you can get an Energy Trust rebate for your old equipment, like a refrigeration unit or HVAC unit. And also whether Energy Trust or the contractor will handle removing the old equipment so I don't have to take it to the dump or whatever. I think including this information in the message would help a lot. A lot of people don't know how that works.

**Message 3: If I finance energy efficiency upgrades, I can make more investments to my core business with the money I save on energy.**

This message was neither strongly liked nor disliked. Overall, respondents had less to say about this message even when probed. It seemed to appeal more to public/government entities and nonprofit organizations than to private businesses.

Among those who had a negative reaction, the message was simply not compelling enough to finance. Others felt the message is a tough sell in a bad economy. One respondent found it misleading, since the business owner still has to spend money to generate the savings.

A couple of respondents indicated the message has less appeal because of their inability to track savings, which makes it difficult to earmark energy efficiency savings for core business investments. One respondent said, “the savings have never been obvious enough for us to say we saved this much and now we’re going to invest it in our core business.”

For many, this message is obvious and sort of a given for business owners. As one respondent commented, “All savings go back to the core business.”

**Respondent quotes for Message 3 are divided into 3 categories:**

A. Respondents who liked this message
B. Respondents not sure about message or found it generic
C. Respondents who raised tracking issues

**A. Respondents who liked this message**

**Private business: Grocery**

That’s a good statement. I think it’s my favorite out of all the messages. And that’s because it makes sense to me that there’s some money available there and you can do something else with it.

**Public/government: Municipality**

I like this message because it speaks to something we did that really worked out well for us. We were part of the ARRA EECBG program (American Recovery and Reinvestment Act/Energy Efficiency and Conservation Block Grant) and we put that savings back into our core business. We did $1.3 million worth of energy upgrades to the City for lighting and heating and different things as Obama funded projects. And then we got the energy incentives from PGE and Sam Electric, which were well over $200,000 and it allowed us to do more projects. So we took the incentives and just continued down the road until we pretty much ran out of money! It was great.

**Public/government: Schools K-12**

This message is good. And I would tell you this: we’re involved with a number of school districts, doing long-range facility planning with them and when we can point out that they can do one project or a series of projects that’s gets funded by bond money for example and while it may cost the district $100,000 of capital improvement funds but it’s going to lower the operating budget by $5,000 a year, that’s huge because that’s something that the district can’t control but that they’re always responsible for so that means they can put $5,000 into maintenance upgrades, teacher salaries, field trips, whatever it is. You’re saving energy dollars and you’re putting that money back into things that the school would rather put the money toward.

**Nonprofit: Hospital**

Yeah, this is a good message. You know somewhere in all of its messaging, Energy Trust could reference the revenue equivalents. You know it's commonly understood that depending on your profit margin, for every dollar you save on operating expense, it translates into—well if you have a 5% margin it would be a 20 to 1 ratio—you know of revenue equivalents. So it takes $20 of revenue to produce the same benefit that one-dollar in operating expense savings produces. People like numbers.

**Private business: Pet services**
We're eager to put money back into our core business. Show us financing options that work and we'll do it!

**Nonprofit: Assembly**
Sure, sure. We like putting that savings back into our core business.

### B. Respondent not sure about message or found it generic

**Private business: Manufacturer/retailer**
Hmm, that's an interesting message. We have done a lot of building improvements over the years when we felt the money was there and the timing was right. We did things like new paving for the parking lot, new roof, painting the exterior, window repairs and we insulated the building ourselves quite soon after we moved in. So we've made a lot of investments in our core business but I don't know if we'd think about financing energy upgrades with the idea of doing more of that kind of stuff. I'm just not sure.

**Private business: Auto services**
This message isn't that meaningful for me because it's almost too generic. All savings is going to go back to the core business. To me it depends on the size of the project and in turn how much the savings are. If through your energy upgrades, you're saving $10,000 a month, then yeah that is a significant amount to invest back in the business. But even if we were only saving a $1,000 a month, it could translate into us getting more part-time help for moving the cars around in our lot. I guess I'm saying what's more important is doing an assessment of the energy efficiency upgrade—what's my electricity bill now, what's it going to be once the change is made and how much money am I going to save. And that's what will help me make a decision about whether to finance.

**Private business: Office**
I can definitely see somebody deciding to finance as opposed to using cash if they wanted to invest their company's cash say in a capital expenditure or some type of merger or acquisition or some sort of other expansion. Depending on the company's position and what their goals are, it could be viable. But overall, I think the business climate and the economy would have to be better. You're going to have to wait until the GDP (gross domestic product) is better before this is appealing to people.

**Private business: Retail**

Well that message could almost be a fallacy. You've got to watch it. Some people absolutely never view it as savings. They're not saving, they're spending money. And that's the way mom & pops or the very, very cheaper systems operate—that's why they run stuff into the ground. Their attitude is, "You're not saving me money—I just spend less!" And they really think like that—that's what's crazy! So in other words, you're not giving them a damn thing—that's their money anyway! So Energy Trust has to figure out how to break through with them. And that's where Energy Trust comes in with something that says but in four years you're going to start saving this much money, you're going to have to pay much less. That's the way you have to sell it to them. Because a lot of people are really strictly day-to-day: they're operating out of their pockets. It's that bad around here in Oregon compared to some other places. We've had miserable times. People think pawnshops would be great in a bad economy—no! We need people to buy the stuff we get stuck with. So we're okay and we're surviving but we're not growing. A lot of us are in this boat. And I hope business picks up but as I say, it's going to take a high tide to float all boats.

**C. Respondents who raised tracking issues**

**Public/government: Public agency**

This message raises the issue for us that we don't really track our savings so I wouldn't say we specifically identify savings for putting back into our core business. Like with the lighting upgrades, we're continually doing that now. In other words, we've taken that in and we've seen that's a good thing and we just continue to do it. We kind of got the early information and said ok let's keep moving forward with this and we don't track the savings. We haven't done the compressors yet so we wouldn't have that data. There are other Energy Trust things that happen, say with our new buildings and unfortunately with new structures, sometimes in the design, people don't think about the reality of how we would have to track stuff. So for example if we have solar and there's a metering system where in theory we would be net metering but the reality is that we have such a high usage on site that it doesn't go back to PGE, it actually ends up offsetting something else but the way you have to see that is you have to go and read an internal meter and we're not set up for someone to have to go and read internal meters so sometimes it's more that the tracking mechanisms may not be workable.

**Private business: Grocery**

The savings have never been obvious enough for us to say we saved this much and now we're going to invest it in our core business. Usually the energy efficiency savings have just been theoretic on paper. Our energy bills change so much month-to-month because our usage changes and then we're always doing changes to our business like we put in a new compressor or a new something or else. I can't really tell if I've ever really saved money or not. It's not an isolated system where I can say I definitely saved because I changed all my lighting and my electric bill went down. I can't see that.

## Sources of Financing Information

**This section includes the following three summaries:**

1. Credible sources of information about energy efficiency financing
2. Value of specific information provided
3. Most effective financing tools

## 1. Credible Sources of Information about Energy Efficiency Financing

**Overview:** Respondents were asked whom they consider credible sources of information about energy efficiency financing. Overall, Energy Trust is considered the most credible source of information about financing. A few suggested contractors as good sources, and only one felt financial institutions should be the primary source of information.

### A. Energy Trust as source

The majority of respondents feel Energy Trust is the most credible source of information for energy efficiency financing. This was nearly unanimous for the following reasons:

- **Energy Trust is a trusted source.** Energy Trust has established credibility with many and is considered a trusted source.
- **It's an appropriate role for Energy Trust.** It fits Energy Trust's mission and goals. Energy Trust's mission is about energy efficiency and saving energy, making them an appropriate and logical source of information.
- **Energy Trust is a neutral/objective source.** Many respondents said that compared to other sources such as financial institutions or contractors, Energy Trust wouldn't be doing this to "make a buck" or "trying to sell me something I don't need". This was a very important reason to many. Many also know Energy Trust is a nonprofit and feel this adds to their credibility.
- **Energy Trust has a proven track record in providing information.** Respondents feel Energy Trust has demonstrated its capability in providing information to customers on how to implement energy efficiency upgrades. In their mind, it is logical and efficient that Energy Trust would be the best source of providing financing information on energy efficiency upgrades.

Only one respondent felt Energy Trust was not an appropriate source. This respondent had concerns that it was not within Energy Trust's mission and that providing financing information might have the appearance of a conflict of interest and/or detract from Energy Trust's objective role.

**Respondent Quotes**

**The "Energy Trust as Source" quotes are divided into 2 categories:**

1. Positive mentions
2. Negative mentions

**1. Positive mentions of Energy Trust as source**

**Public/government: Municipality**

I truly think that the role of getting out information to government agencies on financing should come from Energy Trust. Energy Trust is the appropriate source. And obviously it would be a good way for government agencies to get that tool in their tool kit to make decisions about capital investments. And I think Energy Trust has provided us with good information on energy efficiency and I think this type of information about financing is also good for them to provide. I think having this information coming from Energy Trust is going to have more value than from a financial institution or a contractor. And it's not so much about Energy Trust being a more credible source but I would say it's because most municipalities know and reference Energy Trust. Whereas if a bank were to come to us and say hey we can give you this and that if you go in the direction of financing for energy savings, well, I just don't think it carries the weight of Energy Trust saying that.

**Private business: Retail**

I would trust what Energy Trust had to say about financing energy efficiency upgrades. I think it's a good role for them to take on. And that's because they're a nonprofit organization. So when I think about Energy Trust doing this I know it may not exactly be altruistic on their part but I do know it's to promote energy conservation and upgrading things. Energy Trust is not out there to make a buck so they're not going to try to sell me something that I don't even necessarily want.

**Private business: Pet services**

I think it should be Energy Trust offering the financing information because they're the ones that are more interested in the actual environment and energy efficiency and that type of thing. The contractors aren't and neither are the banks. They're interested in making sure they make money.

**Nonprofit: Retail**

I understand Energy Trust is a nonprofit and I think it would be a perfect thing for them to do. I don't know the mission of the organization specifically but in general it seems like Energy Trust is an appropriate entity to have responsibility of informing businesses about financing opportunities.

**Nonprofit: Hospital**

I think by having the source of financing information be someone like Energy Trust creates a greater sense of trust. We would have less concern that it's just a sales tactic or that there's some other revenue opportunity for the seller or contractor—that they're not getting a cut or a kickback or something that ultimately increases costs.

I think Energy Trust's role is to make connections between opportunities to reduce energy consumption and projects that will achieve that. And today they offer that through incentives that are coming out of the public purpose fund and to me it's legitimate that this could be a service they offer if it enables that ultimate goal of implementing more projects and reducing energy consumption. And in much the same way, I feel the same way about measurement systems. I think Energy Trust should provide incentives for measurement systems. That's another example where it's not directly producing energy savings but it assists the ultimate goal.

**Public/government: Assembly**

I think Energy Trust should be the one informing people about these options because it fits in with their primary role—it's kind of producing an end to their means, right? Energy Trust's end to its means is saving energy and producing energy savings is a way to get there so then whatever Energy Trust can do to educate the customers about it through financing and explaining those options, well that seems like it would help Energy Trust achieve its goals.

**Public/government: County**

It wouldn't be a bad thing if Energy Trust would be the conduit for financing information and if they would say these options are out there and attainable. I mean letting people know there are options and information is a good thing. It may provide people with the information they need to realize that they can afford to do certain energy efficiency things. And I would consider Energy Trust a credible source. I mean Energy Trust is going to be standing behind it as far as their name. They're putting themselves out there.

**Public/government: Municipality**

To me, it makes sense that Energy Trust would be the organization to provide information about financing because I liken it to what Energy Trust did in the past with BETC programs—they were the ones that assisted us in finding pass-through partners.

**Nonprofit: Assembly**

I think informing customers about financing options is exactly what Energy Trust should be doing. They're the right organization to be doing this.

**Private business: Retail**

I think Energy Trust would be a good source of information on financing efficiency upgrades. It would really be helpful if Energy Trust could investigate all the options out there and provide information about who could offer such a program to customers. And I don't know, is there a way that Energy Trust could possibly subsidize it at all?

**Private business: Auto services**

For me, Energy Trust is the most credible source for this information.

**Nonprofit: Hospital**

You need a broker such as Energy Trust or a large contractor. You can go to them and say hey we're looking at financing, who's interested and willing to work with the customer and so forth. Actually, the more I think about it, I think Energy Trust is the most credible source. I see this as a good role for Energy Trust. I see Energy Trust as being able to be a very neutral partner and being able to say here are some partners who are willing to finance these projects. And then we the customers can start soliciting those lenders.

**Public/government: Public agency**

I think Energy Trust would be a good source of information about financing options. But only if there were multiple parties providing the financing including utilities, and also only if Energy Trust's educating was not mentioning the particular folks doing it. I'd hate for Energy Trust to be promoting or mentioning specific banks.

**2. Negative mentions of Energy Trust as source**

**Private business:  Office**
I think Energy Trust would have to be very careful about how they presented financing information because there could very easily be the appearance of a conflict of interest even though there might not actually be one. I'm not sure I see presenting financing options as something falling within the mission statement of Energy Trust. I see them as being more of an objective evaluator of opportunities and to have them advancing financing options would seem to be pushing a little too hard as opposed to presenting objective facts based on models. I just think it's important to keep Energy Trust in the position of being beyond reproach and being objective.

**B. Contractors as source**
While most respondents simply said Energy Trust was the best and only source of financing information, a handful of respondents made comments about contractors as a source.

A few respondents felt their contractors would be the best primary or initial source of information. These tended to be respondents that rely heavily on their contractors and have built relationships of trust. Also, there are indications that because they have more frequent in-person contact with their contractors, the likelihood of them receiving the information would be higher if contractors were the source. These respondents aren't suggesting that Energy Trust wouldn't also be involved—they're just saying their contractors would be the best initial source. By segment, there are indications that smaller, private businesses may be more likely to view contractors as a good source.

Among those that said contractors are not good sources, most comments related to concerns about the ability of contractors to be objective because they're in it to make money.

**Respondent Quotes**
**The "Contractors as source" quotes are divided into 2 categories:**
1. Contractors are a good source
2. Contractors are not a good source

**1. Contractors are a good source**

**Private business:  Retail**
The most credible source of financing information for me would be from contractors I've worked with and trust. If our lighting contractor came to us with financing options that would be great. Now of course we've worked with these guys for 10 years so we have that long-standing relationship. So if somebody out of the blue came to us, we might be a little more suspicious. But having options is always better so I do want to hear about financing. Energy Trust might be a good source too but I'm not really sure how Energy Trust works and how it's incorporated. I have not actually looked into Energy Trust. I've

mostly taken it on the advice of our lighting contractor—we keep them as the main source for our three stores so we kind of use them as our credibility source, so to speak. And so when our lighting contractor said Energy Trust was solid, we accepted that.

**Private business: Grocery**

My lighting contractor would be a credible source for me. And I wouldn't find it strange if he mentioned financing options along with the other Energy Trust programs. Actually, it would be great. When we did that lighting upgrade, he just walked in the door and said I think you should do this and here's how I can make it work for you. So my point is that it was his idea—I didn't call him up and say boy, I want go through all this work to change out my lighting. So if he hadn't suggested it, maybe we wouldn't have done it and the same could be true for financing.

**Private business: Retail**

I think Energy Trust is a very credible source but I want to stress that I think it's really important that contractors are aware of the financing options because it's likely that's the way I'll first hear about it. For example, when I did my lighting project, the first contractor I dealt with was just a guy trying to sell me stuff and didn't really know about the Energy Trust program. Then Energy Trust recommended a lighting person to me and that guy knew a whole lot more about the Energy Trust program and I went with him. He took care of all the paperwork and made it really simple and he not only knew about the Energy Trust rebates but he also told me our County government had some extra funds to help people do upgrades. So let's say I want to install a new boiler. I want to work with a trade ally contractor that understands the Energy Trust programs. And that contractor could suggest to me, hey you can finance this thing—we'll do the work but call Energy Trust to see about financing. A contractor that has that added knowledge of here's how you can save, here's what we can do for you, here's the Energy Trust programs you can use. Things of that nature would make me ten times more likely to actually move forward on a project, including considering financing it. And if the contractor suggests financing then I could get more information about it directly from Energy Trust and maybe Energy Trust could have banks or whatever to recommend for financing—that would be really useful. For Energy Trust, I think it's a hard thing—how to get the message out about financing. That's why I think having contractors be knowledgeable about it would help.

**Private business: Retail**

I don't know if there would be a great source outside of Energy Trust that I would expect to hear this financing information from unless it was a contractor—like an electrical business, insulation, roofing or windows. If a contractor like that were to come door-to-door and make a sales pitch and offer the incentives available through the Energy Trust and also information about financing, that might work. I'd be willing to listen to them because they're coming in and offering a service that has a potential benefit conceivably. The lighting project I did was brought to me by a local contractor who was looking for jobs and that contractor was a very credible source on the Energy Trust incentives. If I heard about financing from a contractor, it doesn't mean I'm going to do it!  But everybody wants to hear about the options available to them.

**2. Contractors are not a good source**

**Nonprofit:  Retail**
When it comes to contractors, well, there might be some good solid honest ones out there and they certainly would be knowledgeable but I think they would certainly have a horse in the game so they have a bias. So I wouldn't treat them with the same amount of trust as I would Energy Trust.

**Nonprofit:  Hospital**
My experience with contractors has been that they don't always bring up the Energy Trust incentives because sometimes it adds a layer of cost and complexity to their process. So if they feel they're going to make the sale anyway without mentioning the incentives, they might not bring it up. My point is that the same could apply to financing––if Energy Trust relies on contractors to bring it up to customers, I'm not sure it's going to happen in all cases.

**Private business:  Office**
I don't think a contractor is a good source of financing information on energy upgrades—somehow I just can't see them offering information on financing options.

### C. Financial institutions as source

Only one respondent felt financial institutions should be the primary source of information on energy efficiency financing. A few respondents say that although Energy Trust should be the primary source of information, they might turn to their own financial institution as a source. Among those who had negative comments, respondents' primary concern is that financial institutions are in it to make money making them less objective.

**Respondent Quotes**

**The “Financial institutions as source” quotes are divided into 2 categories:**

1. Positives about financial institutions as source
2. Concerns about financial institutions as a source

## 1. Positives about financial institutions as source

### Private business: Office

I would rather see this information come out of the financial sector or some sort of consortium of lenders that get together to support those efforts. It could be an independent work group that included banks, credit unions and others. Maybe at the local level, Metro could engage local financial institutions to put together packages that could help businesses and support their efforts to pursue higher-level energy efficiency solutions through financing. I said earlier that I didn’t think Energy Trust should be the primary source of information but I do think this consortium I’m suggesting could work sort of parallel to Energy Trust. And maybe the contractors could represent their work too.

### Private business: Manufacturer/retailer

I think we would be eager to hear what Energy Trust had to say, so that would be our number one source. In addition to Energy Trust, I think that we would probably go to our own bank to see what they had to say about financing energy efficiency upgrades, and then we’d probably do some of our own online research.

### Private business: Grocery

I think it’s in Energy Trust’s scope to inform customers about financing because it’s helping businesses become more efficient. So I’m definitely fine with it. Now, it’s possible I might also ask about my bank about financing options. I mean I don’t think it would be crazy for me to ask my bank.

## 2. Concerns about financial institutions as a source

### Private business: Retail

Getting information on financing energy upgrades from a financial institution won’t mean anything to me. The amount of garbage I get from from my bank is astonishing. It’s them trying to sell a product for a profit so I don’t believe them when they tell me things. So when they say, if you use our payroll service or our credit card processing, you’re going to save X amount, I don’t believe it because their job is to make money.

### Nonprofit: Hospital

If you go to a bank for this type of information, they’re going to be all for themselves. That’s why I said earlier that you need a broker such as Energy Trust or a large contractor. Although we changed banks recently, we did have a good relationship with our old bank and it’s not like they wouldn’t give us a good rate but that’s not always true for all customers. Some of these banks are pretty big and they say this is our corporate process and that’s the way it is, period.

**Nonprofit: Retail**

In addition to Energy Trust, I might also feel that a financial institution would be a credible source—but that's a maybe for me. They're going to have a horse in the game in terms of how it's financed but essentially when you're dealing with energy efficiency you're also dealing with saving money so it would seem like they would want you to save the money so that you could pay them back. So I feel a little more of an alignment there. But they might want to encourage you to finance it with them even though there's a cheaper, better way for someone else to finance it for you.

## 2. Value of Specific Information Provided

In discussing sources of financing information, respondents were asked how valuable it is to know about peer companies that have also used energy efficiency financing, and the value of combining Energy Trust incentives with financing options. The following is divided into these two parts: Peer information and incentive information.

### A. Information about how peers/other companies have financed

**When asked about Energy Trust providing information about how peers or other companies have financed energy efficiency projects, most respondents said this would be very valuable information to receive.**

- Seeing what others have done is motivating. As one respondent said: ***"I think** the more you hear about what your peers are doing, the more you're compelled to say hey, they're doing that, I should think about doing that too".*

- Many stressed the importance of the information being from others in their specific industry segment whether it be grocery stores, hospitals, school districts or others.

- One respondent was concerned that companies might be reluctant to share financing information and he suggested that Energy Trust could get permission to provide the contact information of companies that had financed so that other interested companies could call the company directly to get more details.

- A few respondents were less enthusiastic saying that examples of what others had done would be helpful but not a primary motivator to do financing. One respondent stressed that word-of-mouth would be much more powerful.

**<u>Respondent Quotes</u>**

Respondent quotes are divided into three categories:
1. Peer information very helpful
2. Peer information helpful but not a primary motivator
3. Respondent suggestion

**<u>1. Peer information very helpful</u>**

**<u>Private business: Grocery</u>**

I think knowing what your peers have done makes a big difference. My store is part of a larger grocery group and I'm on the board of this group and we get together once a month and we all share what we're doing. For example, one of the owners is doing curtains on his cases and he did a lighting upgrade and it got me to thinking about doing more too. I think the more you hear about what your peers are doing, the more you're compelled to say hey, they're doing that, I should think about doing that too.

**<u>Nonprofit: Hospital</u>**

It would be very helpful if Energy Trust could come up with a simple sheet that showed how other hospitals have used financing for energy efficiency upgrades. A big yes on that! It's always useful.

**<u>Private business: Retail</u>**

You know, ultimately, I think what your peers are doing is good information. Because there are certain industries that have a certain style that they're going to operate in so I think it would be pretty useful to be able to say hey, here's what your peers are doing.

**Public/government: County**
I think examples of financing that has gone well for others would be motivating as long as it's done in the right tone—not too salesman-like. Just factual.

**Private business: Retail**
It might motivate me to know that people in my area are making these kinds of energy efficiency improvements and using financing. It might get me to thinking maybe it's something I should do too. And if Energy Trust had some kind of factual statement that says by performing these upgrades people have saved an average of whatever. It may just make people think a little bit. But I have to say, you're in a tough area over here. There are just not a lot of people that have a lot of money to make huge improvements. I guess what I'm saying is that it would surprise me if Energy Trust even had examples of what small businesses in my geographic area have done to finance energy upgrades.

**Nonprofit: Retail**
One of the first places I go when making decisions like this is to other similar organizations, specifically nonprofits. And I try to find out what and how they're doing it. So if that kind of information could be provided, it would be valuable.

**Public/government: Schools K-12** (This quote is also in the Messages/Open-ended section.)
If Energy Trust had any examples of school districts in Oregon or elsewhere that took advantage of financing programs that showed real value, that would certainly get my interest because that makes it real. If Energy Trust could say here's a school district that actually did financing so that it's not just a hope but that it's actually been done by customers. And it's especially helpful if it's an example specifically for other schools.

**Private business: Manufacturer/retailer**
Knowing what other small businesses have done would be very valuable information to us. In addition to my job here, I'm very active in my church and I've assisted with getting energy efficiency upgrades done there. If we had some questions about financing for energy upgrades and we got a list of churches that were financing, we'd probably make a few phone calls to those churches. I know other churches in our denomination would be happy to share that information with us.

## 2. Peer information helpful but not a primary motivator

**Public/government: Municipality**
Knowing what other government agencies have done with financing is not going to be the most motivating type of information for me. However, I do I think it would be a tool in our process of thinking through what our investments are going to be. I mean there's always "proof in the pudding". If other states have implemented some of these financing programs, such as on-bill financing, and have been successful in that trend, I think showing from ground zero where they started and where they are now and what the

benefits were for other government agencies would be valuable information to share with us.

**<u>Private business: Retail</u>**
I think hearing what other businesses have done to finance energy efficiency upgrades could have potential to motivate me. It would have to be something that I can adapt and use in my business to make me money or save me money. But if the business next door to me in my building said they did this light bulb financing thing and it's now X percent off their energy bill, I'd be like yes. Or if they said hey I leased this machine and I got this great financing rate or they said, my financing is part of my utility bill—well then I would say that's interesting. But I want to stress that what I'm talking about is word-of-mouth—it's trusting the people that are telling you. It might still be effective if Energy Trust got information out about what other businesses have done but it's not as effective as word-of-mouth.

**<u>Private business: Office</u>**
I think success stories are definitely helpful. But again, I think the most effective source of information is going to be the actual contractor or business partner that the company is already engaged with—the person who might be bringing this type of opportunity to the table. That said, there are other opportunities for Energy Trust to bring some of these success stories that people would be willing to share out into the public eye and I guess not the public eye but the business owner's eye and the decision maker's eye through trade shows or local events or forums—Chamber of Commerce type of events.

**<u>3. Respondent suggestion</u>**

**<u>Nonprofit: Hospital</u>**
I think some organizations are going to be pretty shy about sharing information about how they've financed energy efficiency upgrades. But I think Energy Trust could find a way to provide some generalized numbers. I'll use our organization as an example of what could be provided. Energy Trust could provide the name of our hospital and say that we did an energy project and our energy savings was 20%, and that the project was financed through in-house capital or this bank or whatever. And then Energy Trust could provide my name as the contact for people to call to get more information about the project. Something like that could be provided and then the customer could call us and they can say hey I saw you did this project what was your payback, what was your loan amount—so we can try to help each other that way rather than organizations having all their information out there for all to see. So if Energy Trust asked can we put your information on our website, an organization can say yes or no and that way Energy Trust isn't stepping on anybody's toes.

### B. Value of timing financing options with incentive information

Several respondents felt the financing information should be presented as part of the customer's energy efficiency upgrade assessment along with the incentives. Some say this is the logical time to do it, and that financing should be presented to customers directly. Comments also reflected a theme reflected throughout the research findings and that is that many want financing information to be specific to the needs of their individual project. Throughout the interview, some respondents had questions about how financing might affect incentives; discussing both at the same time would address the issue.

**Respondent Quotes**

**Private business: Entertainment**

I think it makes sense to just have Energy Trust make financing information part of the forms they have customers fill out for energy efficiency upgrades. I'm talking about those forms where you say we have these kinds of lights and we're thinking about replacing with these kind of lights and here's what it's going to cost, here's the incentives and here's the payback. Then the form could say, if you pay for everything upfront yourself, here's the payback. And if you finance it, which would be simple to do, here's the payback. I think it's Form 100 you start with and then you do Form 103, where it gives you the payback and stuff. Energy Trust could just show financing as an option. So if the customer's objection to the program is that they just don't have the money, Energy Trust could just show financing as an option. They could say here's where you can go if you want lease-to-own or whatever financing option.

**Private business: Auto services**

I think Energy Trust has to present this financing information individually with the company. And I think the best way to do it is to start with an assessment of the company's energy efficiency needs, including the costs before and after the upgrades, the incentives and the estimated savings. Then I think Energy Trust could go into the financing options. I kind of envision some sort of a spreadsheet at the core of this energy efficiency financing discussion. I think the only way Energy Trust can effectively promote or educate people on financing is to be very specific and tailor the discussion to the individual company's need. For example, I don't think it would work for Energy Trust to do seminars because then they're just going to be talking in general terms.

**Private business: Retail**

Here's the crappy thing about Energy Trust trying to get financing information to customers. Until Energy Trust has their foot in the door, it's going to be hard no matter what they do to get the attention of people. But once Energy Trust gets their foot in the door, it's going to be a million times easier because like with me, now I'm aware of Energy Trust and I see what they do and how it benefits me. So if I have a need say for a new piece of equipment, now Energy Trust is the first place I'm going to go—to see what kind of incentives are available. And it makes sense to me that when I talk to Energy Trust about a specific energy efficiency project I want to do, they can tell me about the incentives and at the same time about the financing options. I guess what I'm saying is that it's going to work best when the financing information is presented and tied to a specific upgrade the customer is actively considering.

### 3. Most Effective Financing Tools

Respondents were asked what financing tools would be most effective for Energy Trust to provide. Many respondents replied by stating that discussions of financing are complex and will involve a detailed or deeper presentation before decisions can be made. Several feel that Energy Trust needs to present the information—whether it is on an individual customer basis or in larger group setting such as a webinar or conference. Some suggest a tiered communication approach so they have several opportunities to hear and digest the information. Overall, it is clear there is no single way to educate customers about financing, and individual decision-makers will respond to the approach that is most meaningful for them.

**<u>Respondent Quotes</u>**
**Respondent quotes are divided into 6 categories:**

A. Webinars; brochure followed by webinar or Skype; direct mail with reply card
B. Energy Trust present information to customers directly
C. Energy Trust present information at events/conferences
D. Those that mentioned a single delivery tool: email, website, mail or utility bill
E. Respondents who said it will to be difficult to get them financing information
F. Other

**<u>A. Webinars; brochure followed by webinar or Skype; direct mail with reply card</u>**

**<u>Public/government: Schools K-12</u>**
There's probably two things Energy Trust could do. One would be a brochure or pamphlet that lists the financing options with the pros and cons of each or things that need to be considered. Then the brochure could be followed by a webinar or phone conversation so that people could ask questions about things that weren't clear to them or just to get more details.

**<u>Public/government: Municipality</u>**
When it comes to getting the information out about financing, I think there are two ways of achieving that: The first is doing a webinar through Energy Trust's website. I really think webinars are great. I do bucket loads of webinars through the Oregon Department of Transportation regarding infrastructure right-of-way. I have two or three I'm going to be involved in next week that are talking about acquisition for land for expanding right-of-way. So I think this fits right in with that information stream. The second way is sending out emails to agencies like ours and then doing a Skype meeting relating to new financing options. These days, using electronics and technology is the way to get information to people.

**<u>Private business: Pet services</u>**
I'm assuming this financing information would include more than what could be covered in an email. So maybe the answer is for Energy Trust to send me a postcard or an email that <u>directs</u> me to a website that has more info or allows me to respond to Energy Trust saying I want more information. I went on Energy Trust's website after I got a mailer about solar and I filled out the forms saying we were interested in looking into solar and seeing if it's feasible. And a solar contractor followed up and called on us. So it could be something like that. And Energy Trust could have a website page that said, "Hey, can't do it now, look into lease-to-own or other financing options". Something catchy. I'm not creative.

**<u>B. Energy Trust present information to customers directly</u>**

**<u>Public/government: Municipality</u>**

I think with financing, there's going to be too much information for handling it in an email. So I think Energy Trust should provide some sort of a training session or they should make financing information part of their training for customers.

**Private business: Entertainment**

The best way to get me information about financing is through my Energy Trust PMC. They are great to work with! They give me good information. I get emails from them when Energy Trust has seminars and those types of things—they'll say hey, we're having a seminar at the Red Lion on this date, we're going to be talking about new things in lighting, can you come. So that's the best way for me. In fact, maybe my PMC could have a seminar on financing.

For those businesses that don't have a good PMC source, I would say the power bills are a good way to go. People don't pay much attention to that little line where it says how much they're paying—the public purpose charge. They don't know what that is. I would think in a power bill, just a little blurb that says here's what you're paying—this is where these dollars are going and they're available to come back to you, and financing is also available.

**Public/government: Public agency**

My Energy Trust contractor (PMC) is the best way to get this information to me. The particular contractor I have currently, she'll touch base with me on occasion to see how it's going and ask about projects that we've started but haven't happened yet—like the compressors. And I know that I can contact her. The server room project was a great example where I was going hey we're going to do this—someone's going to upgrade this room and I think it's a great time to figure out energy efficiency stuff so that when they step in to do that work, we can say here's what we need to do to make sure it's energy efficiency. And so I called her and she got the ball rolling for us. And because we've had delays on our end that put the project into another year, she has had to get the ball rolling more than once! The good news for me was that when Energy Trust changed our contractor, my person rolled over from one firm to the next.

**Nonprofit: Assembly**

I think the best way for Energy Trust to get us this information is to have one of their independent contractors (PMCs) give us a call and explain things. And maybe the call could be followed with a brochure or a meeting. In the past, we've occasionally received information through a note in our utility bill. Or, if our utility costs are really killing us, somebody from the power company or the gas company will say, "You know you really should call Energy Trust". But I don't think that will work with financing information. And I want to stress that even though I said earlier in the interview that our current policy is not to finance anything, we do want to know about these financing options.

**Public/government: Municipality**

I deal a lot with two contactors (PMCs) I have with Energy Trust. They're my main contractors with Energy Trust for my lighting programs. They're both a good source of information for me and it would make sense also for them to get the financing information to me and to explain it. Also, I do read every email that gets to my desk especially if it's from Energy Trust, PGE, Bonneville or the State of Oregon. I read them all. And if it's something of interest, I forward them up the food chain. In our system, I often don't get snail mail even if it's addressed to me. I do go on the Energy Trust website.

**C.  Energy Trust present info at events/conferences**

**Nonprofit:  Hospital**
I think having Energy Trust attend conferences would be good. I'm the current president for the Oregon Society for Healthcare Engineering and we would love to have Energy Trust come to our conference in May 2014. It would be a good way for Energy Trust to get out some information about financing. I think we've had Energy Trust at a conference in the past. A mailer would also be a good way for Energy Trust to get the information out because it's a good way to reach out to so many different types of healthcare facilities.

**Nonprofit:  Hospital**
For financing information, I think the most effective tool might be for Energy Trust to give presentations at some of the energy efficiency professional organizations like AEE (Association of Energy Engineers) or APEM (Association of Professional Energy Managers). APEM has a Portland chapter. And Energy Trust also needs to make people aware that there's new financing programs and new information on their website. It doesn't automatically become known unless you let people know it's there. I'm sure Energy Trust also has email lists but I'm not sure that's the best way to get information out on this topic. And Energy Trust could also publicize it through contractors—the people that are bidding and quoting on these projects. But like I said earlier, not all contractors are going to bother to bring this up.

**Private business:  Grocery**
As I mentioned, I'm part of a bigger grocery group and we meet monthly. I think it would be great if Energy Trust could present financing information at one of our meetings. I really think that would work as way to get us the information we'd need to consider this. I know that for me, going on Energy Trust's website isn't realistic but direct mail or email might work as a way to get me info.

**Private business:  Office**
As I said earlier, I think Energy Trust could share the success stories of businesses who have financed energy upgrades at local forums such as Chamber of Commerce events.

**D.  Those that mentioned a single delivery tool:  email, website, mail or utility bill**

**Public/government:  County**
The best way to get information to me is for Energy Trust to put it on their website. And it would be helpful if one of their website headers was "Financing Availability". I think

that would be pretty simple but effective. And once I opened that header, I would expect it to include info on the various options and rates and other key info.

**Nonprofit: Retail**

Email is probably the best way to get financing information to me. But to be fair a lot of email comes in and we just ignore it. But once I'm interested in looking at it, email would certainly be the best way of communicating with me.

**Private business: Restaurant**

I do prefer that the financing information comes from Energy Trust and email is the best way to get it to me.

**Private business: Grocery**

Emails aren't effective for me especially if they're more in-depth pieces like I suspect this financing information would be. And that's because I can always tell myself I'm just too busy to read it. But I do read physical pieces of paper and I know that's unfortunate for the environment. But I'm old school so I guess it depends on the businesses Energy Trust is communicating with. But with me, I want the piece of paper, I can file it, I'll see it again, I know where to put it so when I'm thinking about something I can oh, yeah there's a program that fits that.

**Private business: Manufacturer/retailer**

Snail mail is absolutely the best way to get information to me. I would never go looking online. I was very grateful that Energy Trust had a mailing about the change in lighting—the T12s. I wouldn't have known about it otherwise. Everything I get in the mail from the State of Oregon or Metro or city government, I read every word. And that is a really valuable way for me to find out what they're doing. Like Metro sends out a flyer about the changes in garbage pick-up, how to recycle, etc. and I read that very carefully. I do throw away a lot of mail without opening it—like applications for new credit cards and mail from companies that sell things that we don't buy. But anything from Energy Trust catches my eye and I open it and read it.

**Private business: Retail**

The best way for Energy Trust to get me information about financing is in my energy bill. Email won't work for me. The other option is to call me at the phone number you called me on but as you know, I'm hard to reach and usually have little time to talk.

## E. Respondents who said it's going to be difficult to get them financing information

**Private business: Retail**

I can tell you the ways that wouldn't be effective to reach me with financing information. I would never see it on the Energy Trust website. I rarely look at mailers. And there's no way I would do a webinar or attend a meeting. I don't have time to waste to attend meetings. Email is okay but I can't say that's always guaranteed that I'll see it. So it is tough to get information to me in a way that I will look at it for sure. I realize I'm saying this is going to be hard for Energy Trust to get to someone like me with financing information. I guess all I can say is what I mentioned previously, which is when my lighting contractor called on me in-person, I did the project and so maybe through contractors is a good way to get me information including about financing.

**Private business: Retail**
Here's the problem with Energy Trust reaching me with information: I get 12 phone calls a day so I have them screened and that's why you had to go through someone to get to me. I have to avoid people I don't know and, for sure, telemarketers. And that's a big issue, if you're just cold calling me. I just don't know how Energy Trust is going to do it in this environment. By this environment, I mean we're obviously still kind of coming out of a recession and people are avoiding calls. So I think the best way to get financing information to us is through our lighting contractor. We trusted them enough to go forward with our lighting project and I would listen to them. I suppose I might consider going on Energy Trust's website if I were considering financing. I do make an effort to do all my research.

## F. Other

**Private business: Retail**
I know I mentioned earlier that contractors might be a good source of information on financing. But the more I think about it, this financing information is a bit more complicated and maybe with contractors, it's not quite up their alley. So I'm not sure if it would work for Energy Trust to use contractors as a way to get information to customers about financing energy upgrades. But it seems like contractors could at least be mentioning financing as an option and then the customer could follow up with Energy Trust and get the details.

**Private business: Retail**
Maybe Energy Trust should target certain businesses. I bet Energy Trust has talked to or identified a few different businesses that are good candidates for financing. Like there's an ice cream store that's a couple doors down from me—they have freezers and refrigerators and equipment like that and knowing about financing would probably be more beneficial to them because their needs are different from mine.

Another idea is maybe Energy Trust should hire a bunch of people to walk around to different businesses to hand out pamphlets about what they do overall and include financing information in that. Because basically the way I learned about Energy Trust was that a lighting contractor walked in here and made a cold call and followed up with me a couple times and finally got it through my thick skull that this is something that's for real and that is beneficial.

## IV. Appendix

**This appendix includes the following materials:**

1. **Non-completes:** A recap of the reasons for non-completed interviews

2. **Pre-letter sent to respondents**

3. **Discussion guide used in research**

## Commercial Financing Market Research: Non-Completed Interviews

**Energy Trust mailed pre-letters to fifty-four (54) potential respondents. All 54 respondents were contacted and interviews were completed with 28 of these respondents. The following recaps the results of the remaining 26 non-completed interviews.**

1. **Respondent did not return call:** Nineteen (19) respondents did not return calls from Forrest Marketing within the timeframe of the study.

2. **Respondent declined interview:** Three (3) respondents declined to participate.

3. **Inaccurate contact information:** Four (4) respondents were eliminated because they could not be reached at the contact information provided.

**Commercial Financing Market Research**
**Sample Pre-letter Sent to Respondents**

**Each of the 54 potential respondents received the following pre-letter. Letters were printed on Energy Trust of Oregon letterhead.**

Date

Respondent name
Respondent title
Company name
Company address

Dear [Name of Respondent]:

Energy Trust would like your opinion on how it can best meet the needs of its business customers. To get your input we have retained an independent researcher, Brenda Forrest. Brenda will be calling you in the next week to ask whether you are willing to participate in a brief telephone interview.

We understand the value of your time and when you receive a call from Brenda, she will schedule a phone interview at your convenience.

Your participation in this research project is of course voluntary but I encourage you to participate. We highly value your input and hope you will take a few minutes to share your thoughts with us.

If you have any questions about this research project, please don't hesitate to contact me at 503-445-2943, or oliver.kesting@energytrust.org. Thank you for your cooperation.

Sincerely,

Oliver Kesting
Commercial Sector Lead

**Commercial Financing Market Research**
**Final Discussion Guide**

1. **Introduction and warm-up**

2. **Brief discussion of awareness/knowledge of available energy efficiency financing options**
    - What financing options, if any, are you aware of for financing energy efficiency projects? Probe for details.

## 3. Usage/attitudes toward using financing for energy efficiency projects

a. Have you ever financed an energy efficiency project?

b. <u>If no</u>:
   - Why haven't you used financing? Probe for specific factors that may discourage use of financing such as: not budgeted; high upfront capital costs; lack of awareness of products/too confusing/time consuming to pursue; uncertainty of savings; want to remain debt-free; difficulty obtaining internal approval; and unable to secure financing.
   - Have you ever <u>considered</u> using financing when planning energy efficiency projects? If yes, why didn't you pursue financing?
   - Are there energy efficiency projects you might have done if financing were available? Probe for details.
   - What would encourage you to consider financing in the future? Probe for specifics such as easier access/more information on financing products, interest rates, etc.
   - Overall, how likely do you think your organization is to consider financing for energy efficiency projects in the future? Probe for details. (If unlikely, ask why.)
   - If you were to consider financing for an energy efficiency upgrade, what type and source of financing would you seek? Probe for specifics.

c. <u>If yes</u>:
   - What type of financing did you use? Probe for specifics on source (what institutions) and type of financing: debt financing, leasing, other.
   - For what type of energy efficiency project did you use financing?
   - What were the drivers that led you to use financing?
   - What did you look for in terms of financing offers? Probe for: interest rates, ease of use, trusted institutions, etc.
   - How often do you consider using financing for energy efficiency projects?
   - How satisfied were you with your experience of using financing? Probe for problems encountered, if any, and solutions.
   - How likely are you to use financing again for energy efficiency upgrades?

## 4. Decision-making dynamics

**a. Overview:** How does your organization pay for business investments such as energy efficiency upgrades? Probe for use of internal capital only or other external sources (such leasing, bank loan, other financing tool).

**b. Thresholds**
   - What kind of financial return is customary in your organization for any of your investments?
   - What kind of return would you expect for energy efficiency investments?

- In your organization, who makes the decision whether to include financing for energy efficiency projects?
- What's the threshold for your decision-making authority regarding financing energy efficiency projects?
- If relevant probe for: Options available for taking a proposed project to the next level of decision-making authority and what's needed to make the case.

**c. Paying for energy efficiency: other sources**

- What other sources do you consider to be available to you for financing energy efficiency projects? Probe for state and federal tax deductions/credits, investment tax credits, accelerated depreciation, product rebates, Energy Trust incentives.
- Do you view these as financing options or as a way to lower the upfront cost?

**d. Operational vs. capital investments**

- Are energy efficiency investment decisions made by the same staff who make operational financing and leasing decisions?
- Do you use the same financial institutions to finance operations as you do to fund capital projects? Probe for financing tools customarily used for operational investments.

**5. Energy efficiency financing products**

Now I'd like to get your opinion about some specific financing products. How appealing are each of the following financing products to you?

- For each product below, probe for awareness of product, perceived advantages/disadvantages and likelihood of considering including hesitations or questions the respondent may have. Determine relative appeal of each.

**a. Commercial loan:** Sometimes called 'traditional debt', commercial loans are non-energy-specific lines of credit extended to a business by a bank, credit union or other lending institution. Loan approval is subject to the lending institution's underwriting standards.

**b. Lease to own:** Leases offer fixed terms and little or no upfront costs. At the end of the lease term the customer can, depending on the lease type, buy or re-lease the equipment. Some leases have simplified underwriting and feature equipment buyout at the end of the term for a nominal amount (such as $1.) Other, more complex, leases offer possibly beneficial accounting treatment that allows the lease to remain "off-balance sheet" and therefore not treated as debt.

**Probe for:**

- The value of not having to put any money down and of being able to include many or all of the soft or out-of-pocket costs you may have related to doing an energy efficiency upgrade (e.g., design costs, permits, etc.).

- Awareness of using leasing for energy efficiency upgrades.
- Does your organization view leasing as financing?
- Does your organization ever lease equipment (such as phone systems, computers, HVAC equipment)?
- Would your standard payback threshold change if you were offered a lease with a positive cash flow from day one, even if the term of the lease was longer than your payback period/criteria?
- If you were interested in pursuing a lease, would you know who to turn to?

**c. Municipal lease:** A tax-exempt alternative to cash purchasing or use of municipal bonds. (This option was only asked among public/government respondents.)

**Probe for:**

- If you were interested in pursing a municipal lease, would you know who to turn to?
- Advantages: tax-exempt advantage to lender resulting in lower effective interest rate to customer; and the ability to classify the lease as not being debt (in leases with non-appropriations clauses.)

**d. On-bill financing:** Refers to loans used to perform energy efficiency retrofits. The loans are issued either by a lending institution (such as a bank or credit union) or an energy utility, and feature the loan payment being collected through a charge added to the regular utility bill. Some on-bill financing programs structure the loan payment to be ***less than or equal to*** the amount of money the customer is saving on their energy costs. Other programs are more properly called "***on-bill repayment***", because the utility is ***collecting*** the monthly loan charge and turning those funds over to the financial institution that provided the loan.

**Probe for the value of:**

- Loan charges being repaid through your utility bill (ease of use—just one bill to pay; simplifying decision-making process)
- Monthly loan payment being less than or equal to energy savings

**Also probe for:** If your loan charges are paid through your utility bill, does it change who is in the decision chain within your organization? Would it change the way your organization looks at it as debt? Would it be an operating expense instead of debt?

**6. Message testing**

**a. Open-ended:** In your opinion, what's the most compelling reason (message) for your organization to consider financing for energy efficiency projects? Any others?

**b. Specific messages:** How persuasive are each of the following messages in encouraging you to consider financing?

- **Message 1:** I'd rather lower my energy costs <u>now</u> (through financing) and spread out the cost of improvements rather than wait and continue to waste energy.
- **Message 2:** Having access to financing tools is a way for me to replace current equipment that isn't working that well.
- **Message 3:** If I finance energy efficiency upgrades, I can make more investments to my core business with the money I save on energy.

**7. Sources of financing information**

a. Who do you consider credible sources of information about energy efficiency financing? Probe for: Energy Trust, contractors, peers/other companies that have used financing, utilities, banker/lending institutions, financial advisors, and government entities.

b. What do you consider the optimal role of Energy Trust in assisting you to "pursue" energy efficiency financing?

   - Probe for value of Energy Trust providing specific information about: How you can combine Energy Trust incentives with financing options; and how other companies (peers) have used energy efficiency financing tools.

c. Specifically, what kind of financing informational tools would be most effective for Energy Trust to provide?

**8. Wrap-up**

- Do you have any other suggestions for how Energy Trust can better meet your needs?
- Are there any other issues we haven't covered that you'd like to comment on?
- Thank respondent