



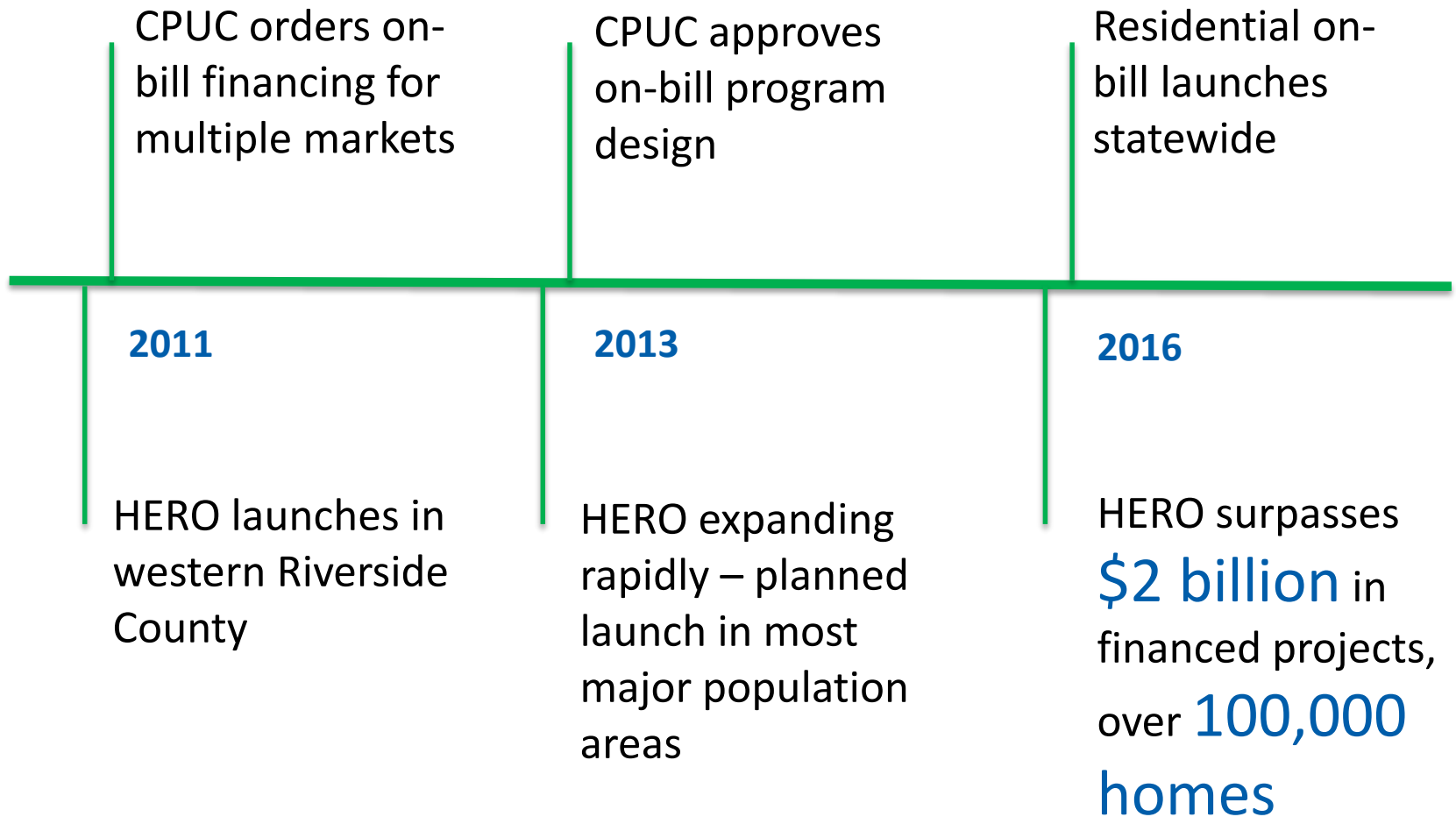
From \$0 to \$1 Billion: What Drives HERO PACE Financing?

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Rocky Mountain Utility Efficiency Exchange
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Some Recent History...



“Opportunistic” Study Objectives

Market Impact

- Market response to financing
- Updated look at market post-HERO

Program Design

- Get early insight on financing program best practices

Evaluation

- Test methods for allocation of savings
- Benchmark relative influence of financing



HERO PACE

Costs

- 6.75%+ interest
- 4.99% close fee and other fees

Benefits

- 15% of property value
- Up to 20 year loan
- Easy and fast
- Can transfer on sale or refinance

Requirements

- Must be ...
 - Eligible water or energy improvements
 - Installed by a participating contractor





HERO Program Profile



What drives partner participation?

Local Governments

- 2 policy objectives: economic, environmental
- PACE = \$0 net cost, low oversight requirement
- Representatives highly satisfied

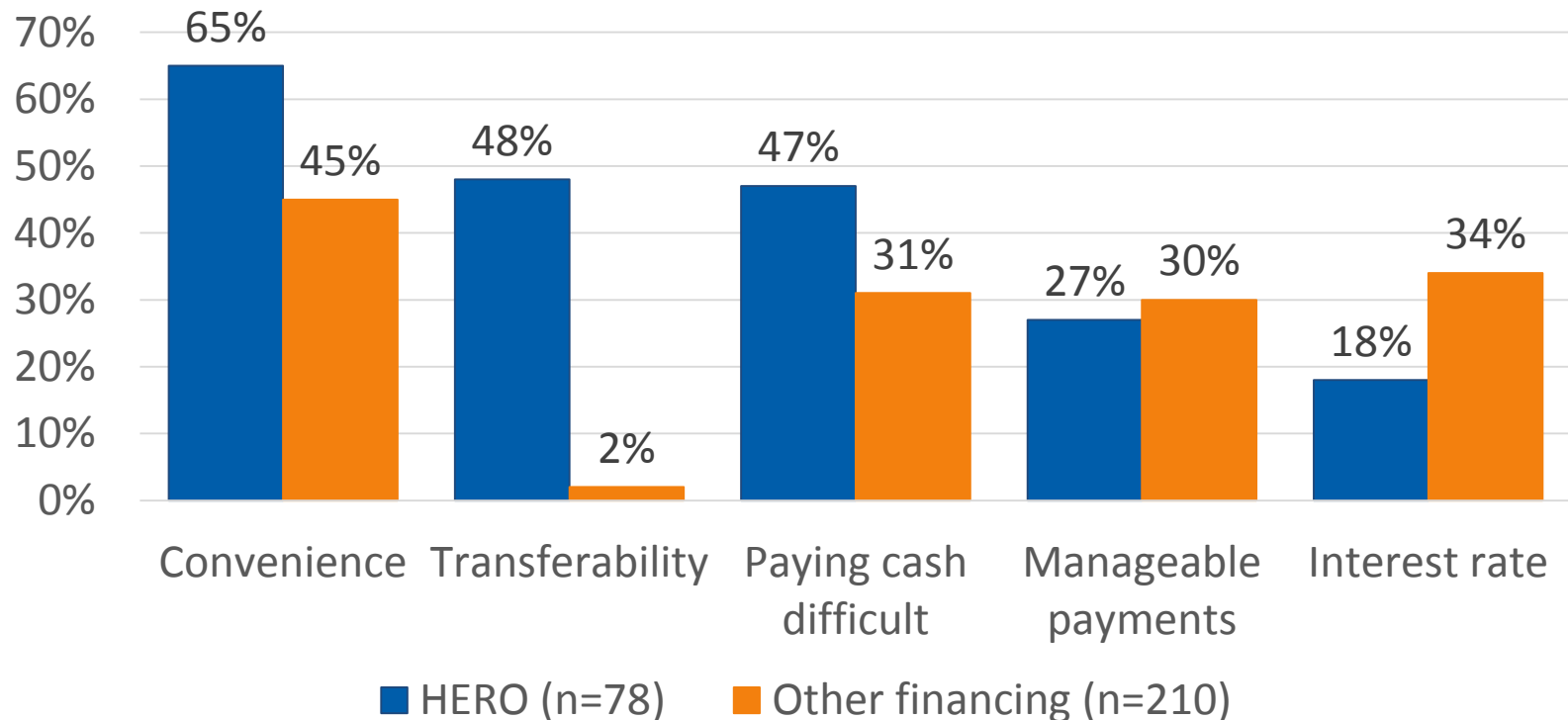
Contractors

- Increased ticket size, close rate
- No fees to contractors
- Extensive training and support
- Integrates well with business

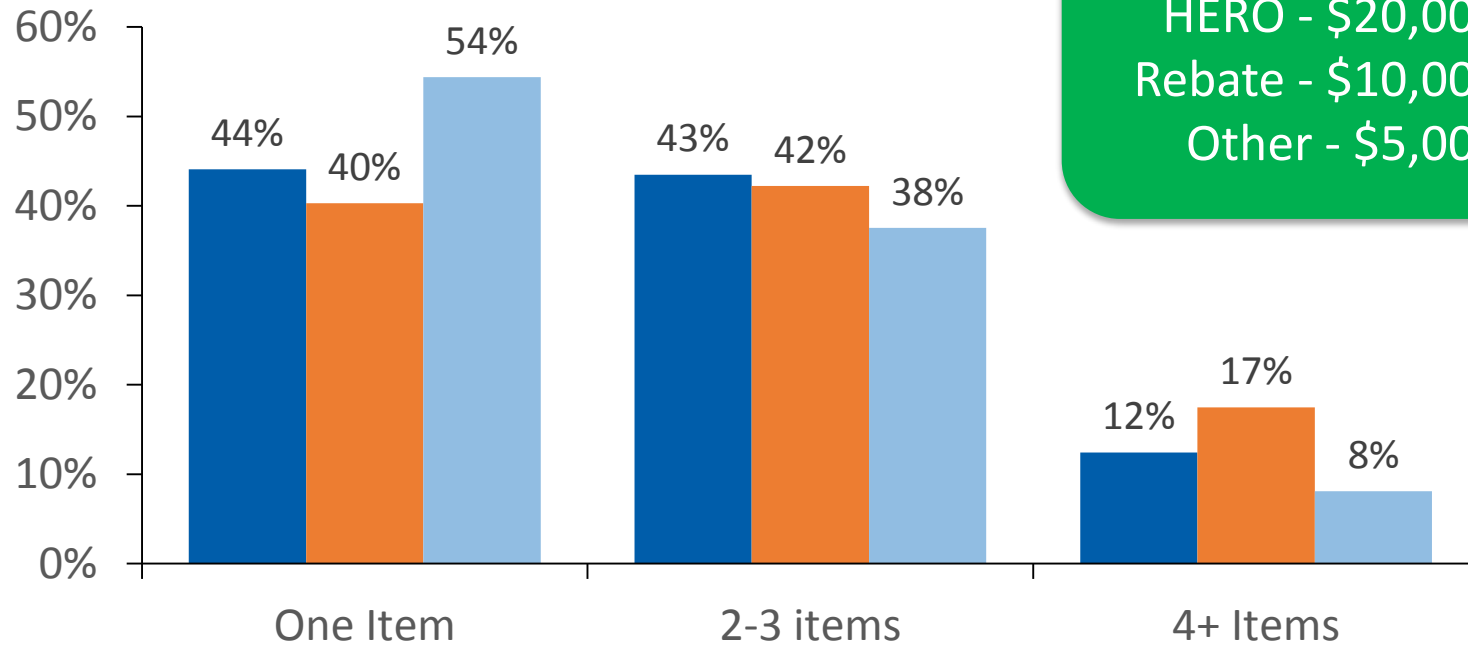


What drives customer participation?

What factors affected choice of payment method?



How does financing impact customers decisions?



Average Project Size:
HERO - \$20,000
Rebate - \$10,000
Other - \$5,000

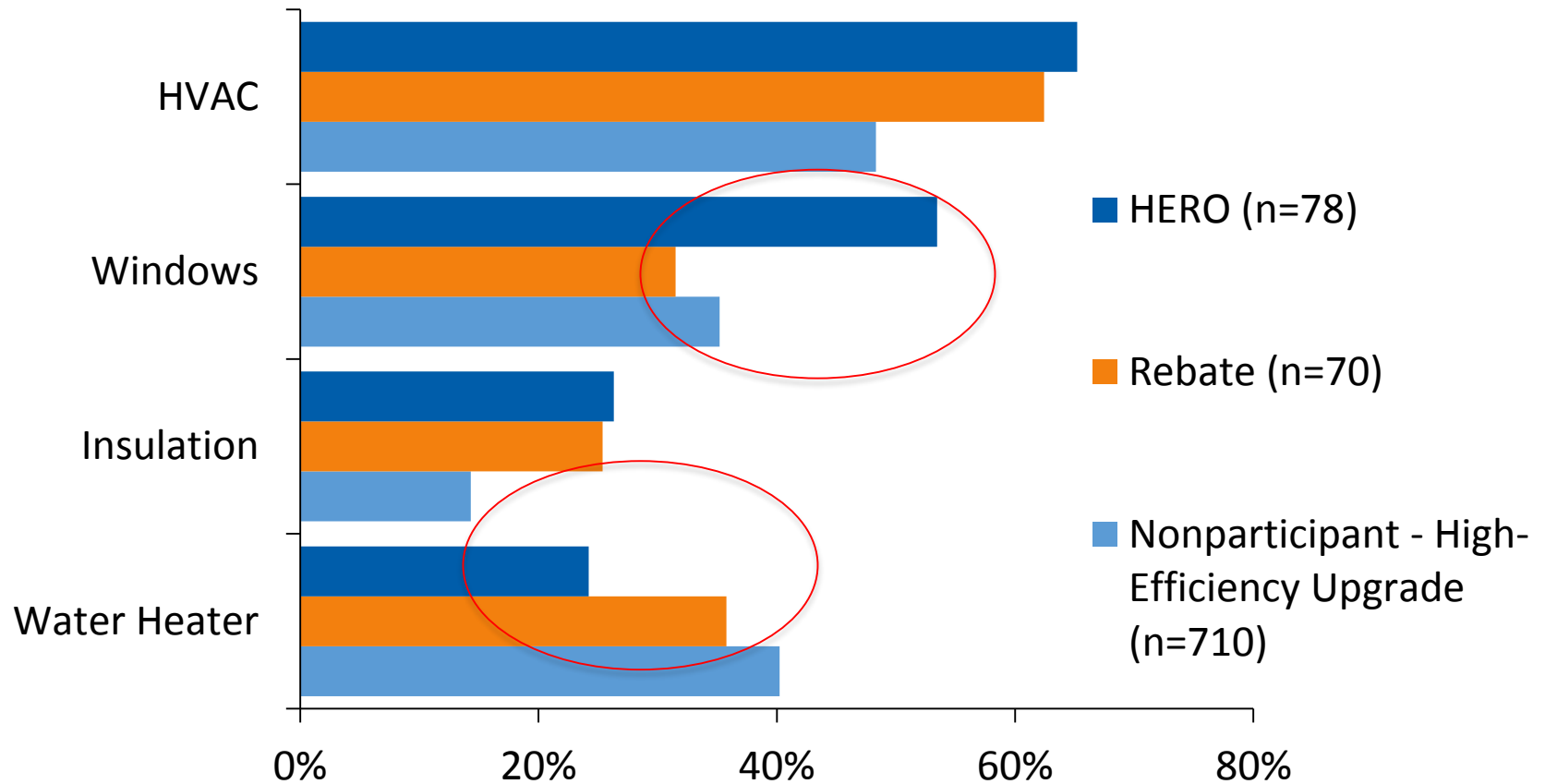
Number of Major Efficiency Items Installed

■ HERO (n=78) ■ Rebate (n=70) ■ Nonparticipant (n=710)

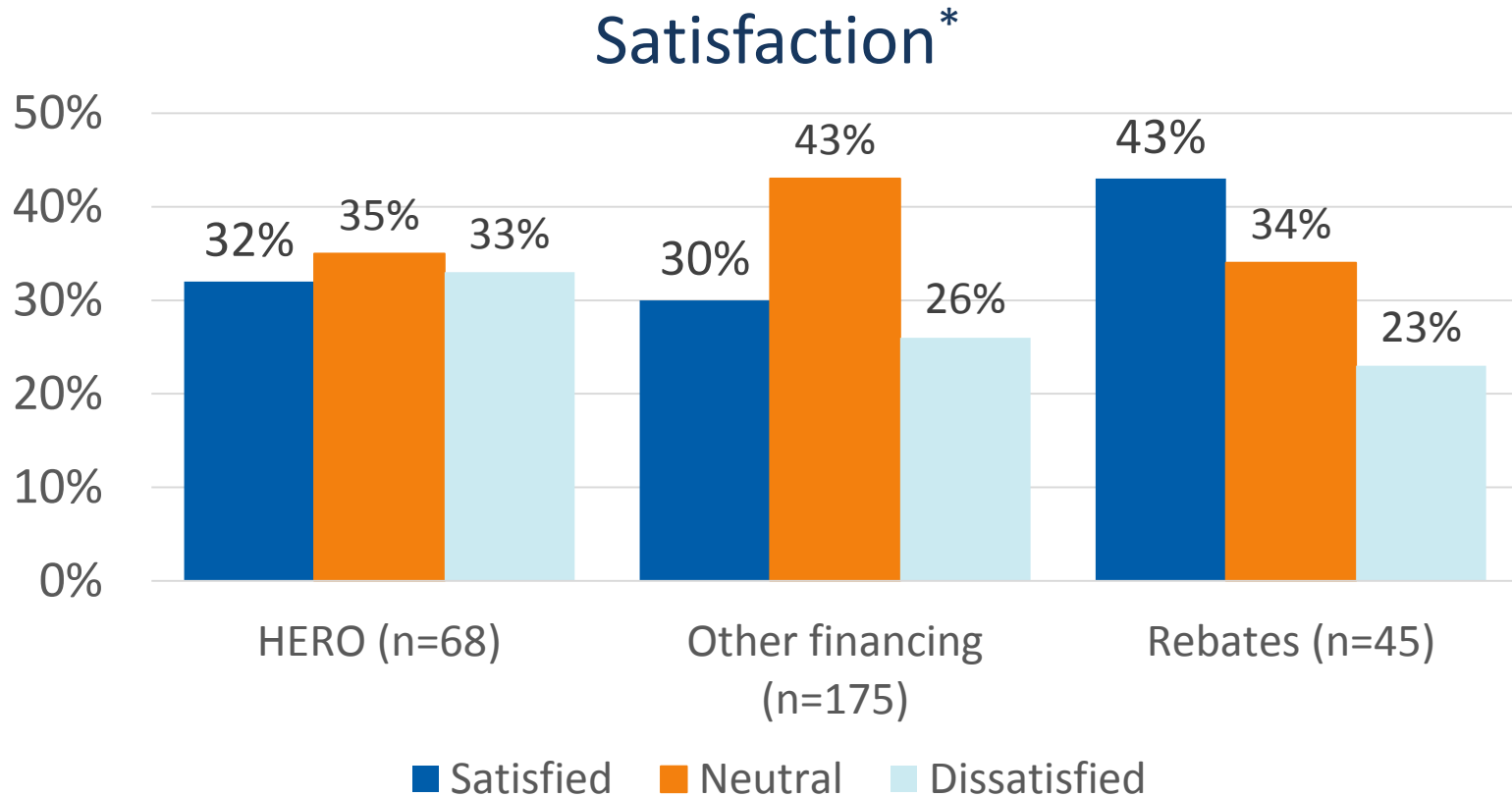


How does financing impact customers decisions?

Measures Installed



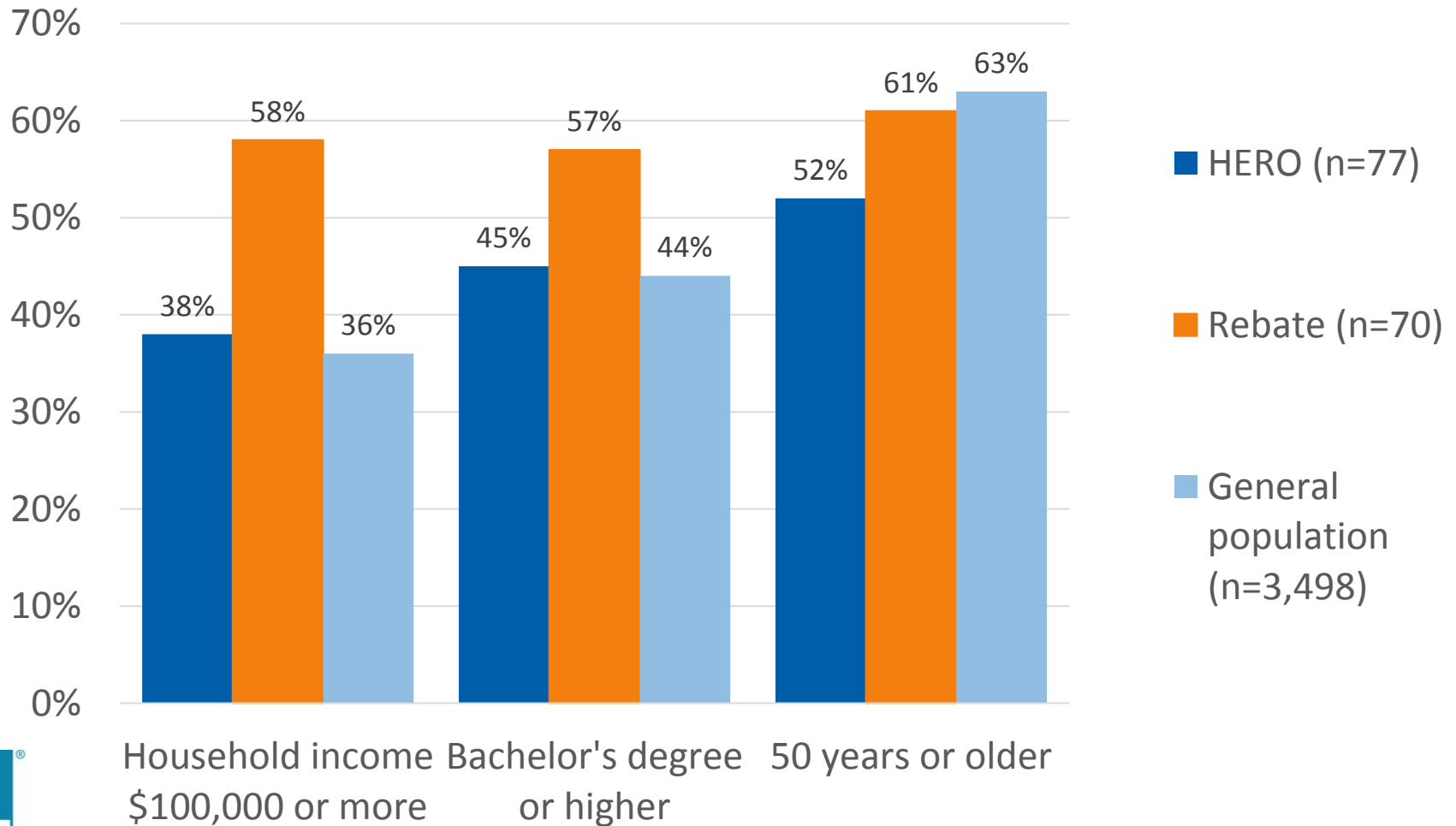
What lessons can we learn about implementation?



*Scale converted from nine-point scale ranging from strongly satisfied to strongly dissatisfied



Who uses financing?



What market gaps remain?

- HERO not a good fit for
 - Projects under \$5,000
 - Homeowners without equity
 - Homeowners looking for least-cost financing option



Recommendations for IOU Programs

- ✓ Promote ability to serve market gaps to contractors
 - Projects under \$5,000
 - Funding for some non-eligible measures
 - No home equity requirements
- ✓ Encourage use of/investment in fast, online application systems by participating lenders
- ✓ Promote IOU credibility; use clear, transparent messaging





Allocation Methods Study



Evaluation Research

What is the best **method** for determining the relative influence of rebates and financing?

- Test 3 methods: Self-report, “Expanded” self-report, Discrete choice modeling
- Early benchmark for future IOU evaluations



Self-report Method

- Survey data
 - Asks which more important, rebates or financing
 - Quantifies with 9-pt scale
 - Simple fast data collection
- Simple analysis, interpretation
 - Method can be applied “off-the-shelf”
 - Subject to recall error and respondent bias



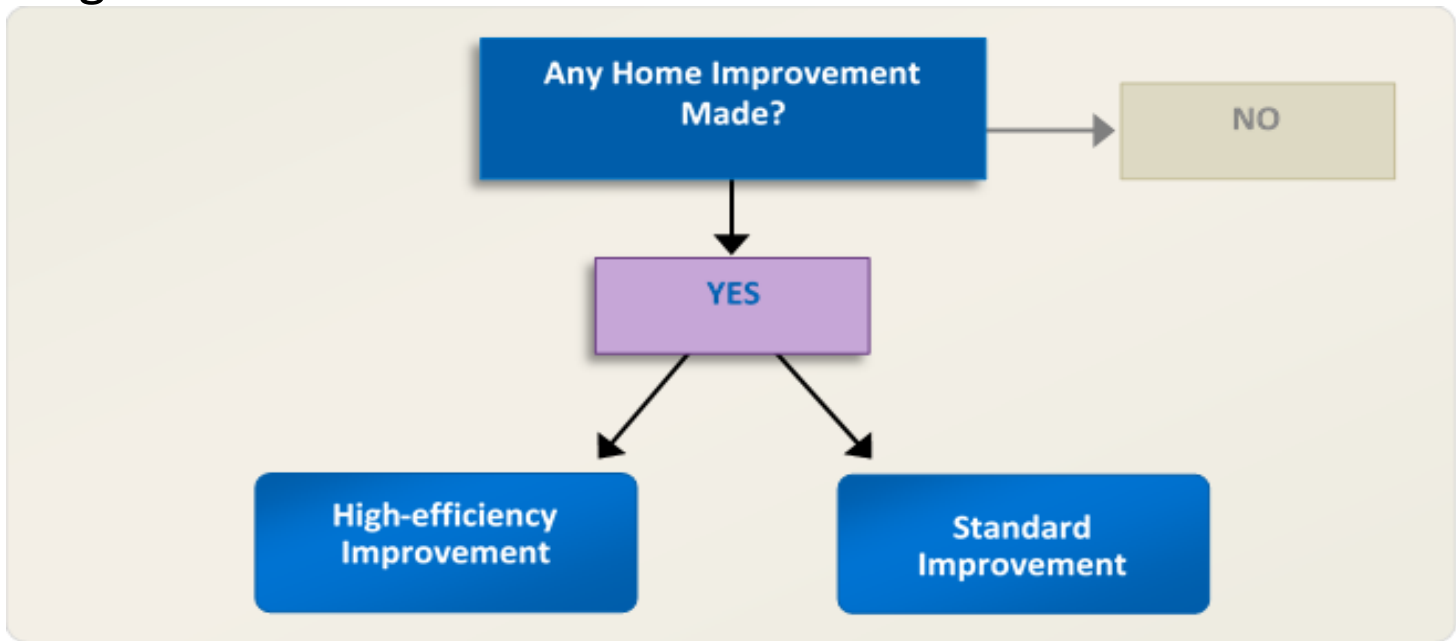
“Expanded” Self-report Method

- Survey data
 - 4 decision factors: financing, rebates, convenience, speed
 - 6 pairwise comparisons (financing vs. convenience, financing vs. rebates, etc.)
 - Still simple fast data collection
- More complex analysis, interpretation
 - Mitigates recall error, allows for more consistent response

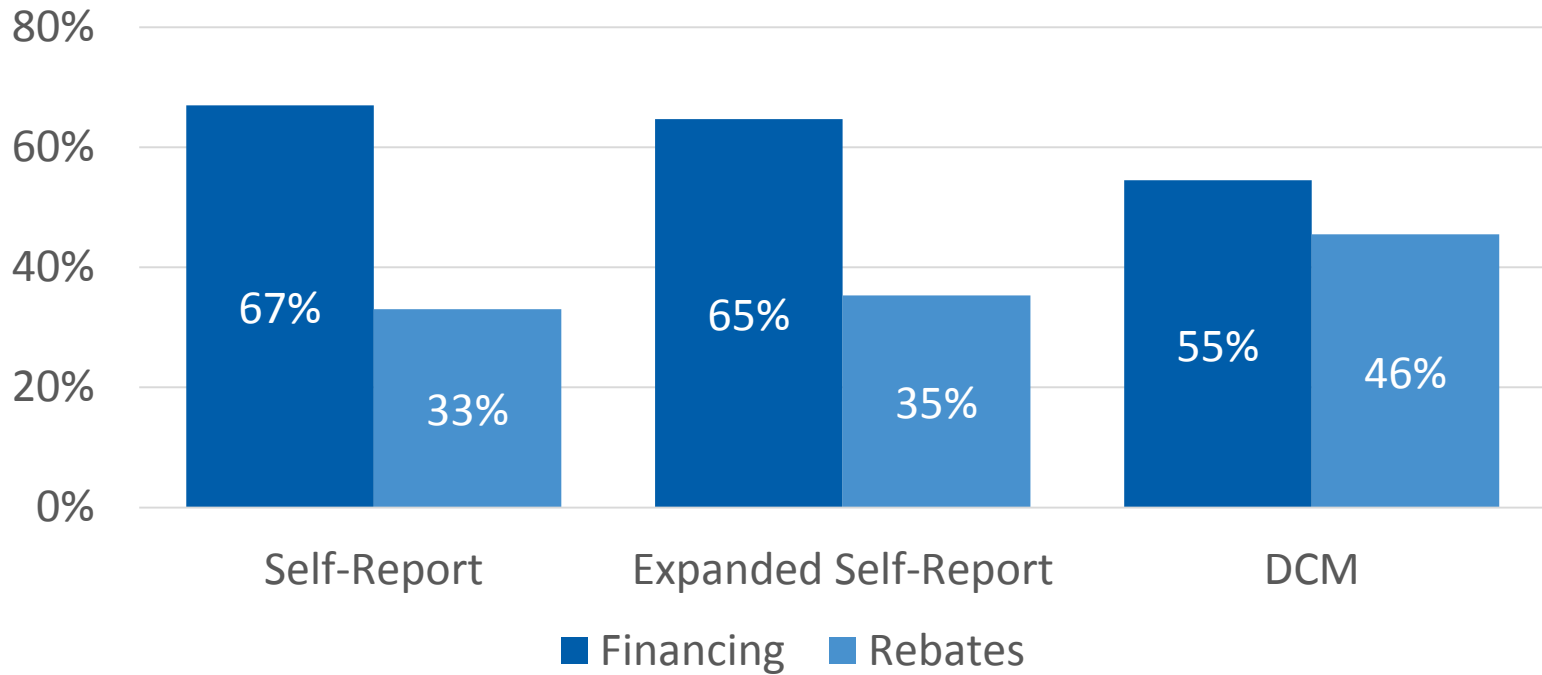


Discrete Choice Model

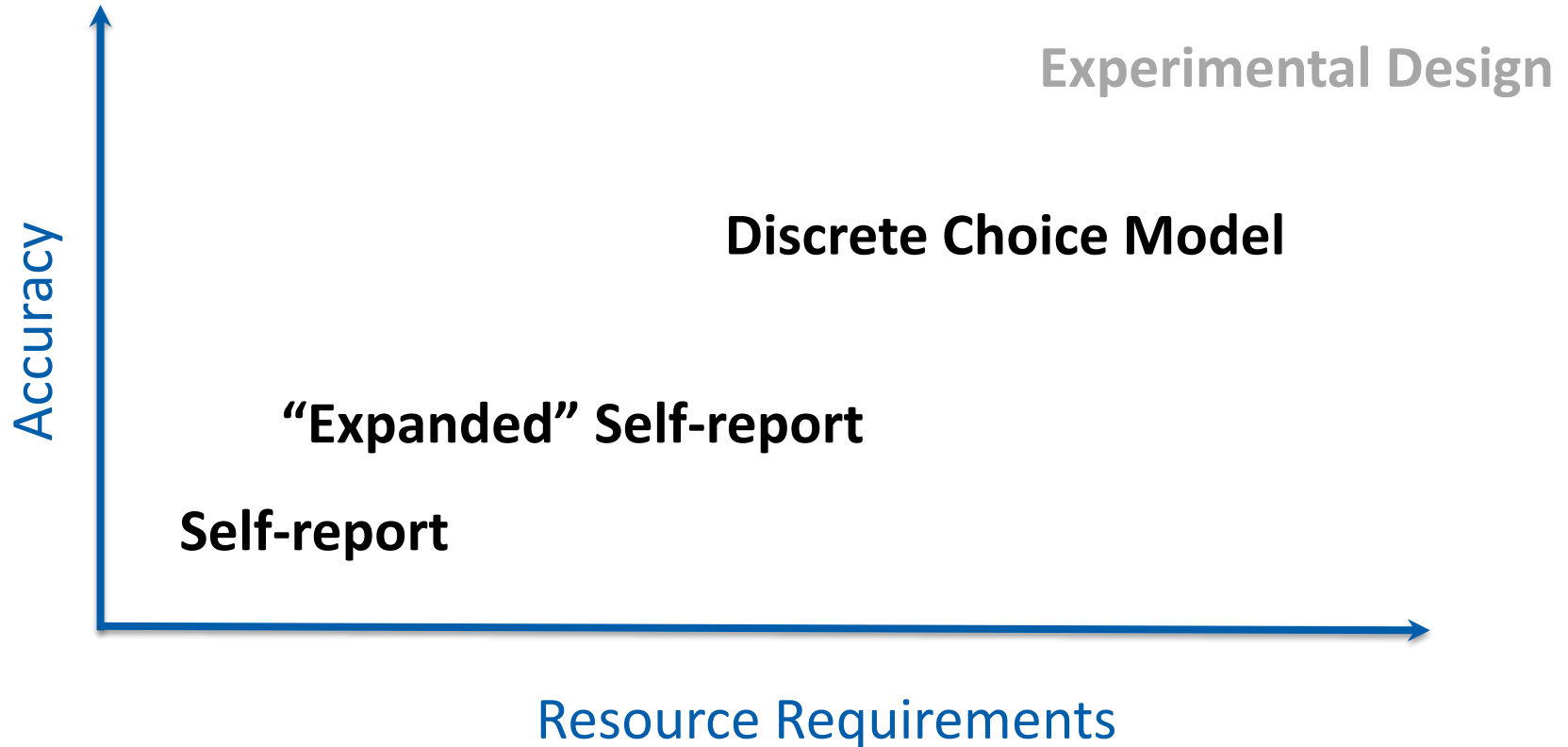
- Uses “observed” behavior to estimate HERO and rebate effects
- Based on utility maximization theory
 - Customer choice as a function of customer and alternative attributes
- Nested logit model:



Relative Influence



Which Method to Chose?



Questions?



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