

-OBR Rental Taskforce Draft Report-  
Cover E-Mail from Tom Darling to Councilors  
8/10/2010

Dear EEAC Councilor,

Attached please find a draft report by the Rental Taskforce on the issue of financing for residential rental energy efficiency improvements. This report represents the activities of the Taskforce to date and forms the basis of the group's recommendation to the larger OBR workgroup. The draft report has only recently been made available for comment and we expect (and have already received) comments that may change the final wording of the report. An excerpt of the executive summary is below:

**Executive Summary:**

It is the conclusion of the Rental Taskforce that the On-Bill Repayment Workgroup NOT submit a rental specific OBR solution to the EEAC. The Taskforce concluded that a rental specific on-bill repayment option would either a) operate in substantially the same manner as either the residential owner obligation or the small business obligation model (as identified in the initial OBR report to the EEAC dated 5/10/10), or b) be infeasible for the majority of the target rental market at this time. The group recommended that the original OBR recommendations to the EEAC stand with slight modifications to allow owner/landlord occupied rental properties to participate in the residential owner model (subject to enabling program design) and that investor owned rental property (where the landlord does not reside in the premise) be allowed to participate in the small business model (also subject to program design). It is the belief of the taskforce that these recommendations will allow for a streamlined rental financing option equivalent to owner and small business proposals.

The basis for the conclusion was that program design (rather than finance structure) dictated the differences between a rental model and an owner/small business repayment model as far as OBR was concerned. The group also identified non-OBR finance solutions (such as a traditional landlord directed lending model) that could help serve the rental market, but these loan products do not require regulatory/EEAC approval to move forward and are dependent on program design efforts by Residential Management Committee ("RMC") and by the individual PAs. The taskforce concluded that rental finance discussions should continue in conjunction with the RMC and PAs as part of a holistic rental program design process.

[The OBR Working Group] recommends that the Program Administrators pursue the development of on-bill repayment capabilities consistent with the approaches and guiding principles set forth in the May 10, 2010 Report of the On Bill Repayment Working Group (see section 1.1) and the Rental Taskforce Report dated August 2010. In pursuing these approaches (which allow for standard and sundry billing approaches) each PA may test and validate such approaches, including, where appropriate, through the use of customized projects or pilot efforts, taking into account any lessons learned in the Pay and Save Pilot efforts. While each PA's unique service territory, billing system, etc. do not allow for identical OBR approaches, OBR in Massachusetts should be as uniform as possible in keeping with the statewide focus identified in the Green Communities Act and perpetuated by the PAs in their energy efficiency programs. Each PA should identify any necessary regulatory approvals required for implementing on-bill

repayment capabilities (including DPU approvals where applicable) based upon its unique tariffs, billing systems and other relevant factors, including costs. Each PA should provide an OBR update, including any specific issues/challenges with respect to implementation of on-bill repayment capabilities and any PA-specific components that were incorporated into the OBR model, to the EEAC in accordance with a schedule agreed to by the PAs and the EEAC .[The OBR Working Group] recommends that the EEAC consider formally endorsing this approach.

The complete draft report is attached to this email and I look forward to discussing at this afternoon's meeting.

Regards,

Tom

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