



Pay-As-You-Save™ (PAY S®)

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PAYS® Products

Money-saving resource efficiency products purchased with no up-front payment and no customer debt obligation. The customer pays a tariffed charge on the utility bill as long as there are savings.

PAYS® is a System

- Market-based
- Like mortgage, lease, credit card -- makes products easier to buy
- Absent program(s), increases purchase of most cost effective measures
- With traditional program(s), more customers and more types of customers can participate



EE Products More Desirable

- No upfront payment
- No credit check, liens or hassles
- No new debt obligation
- Pay only while saving (and pay less)
- Independent certification
- Tenants can buy while they rent



PAYS® Requirements

- Tariff assigned to a meter location, not individual customers
- Billing & payment on the utility bill with disconnection for non-payment
- Certification that products are appropriate & savings estimates exceed payments

Eligible Measures

- Cost effective based on retail rates
- PAYS® test: measure costs less than 3/4 of estimated annual savings over 3/4 of measure life
- Missouri analysis illustrates actual projects that qualify in low rate state

Vendor

- Markets products likely to pass PAYS® test
- Initially qualifies products (checked by Certification Agent)
- Can market eligible products to any utility customer
- If vendor doesn't finance, capital will limit scope of PAYS® effort

Customer

- Agrees to pay lower annual bill
- Gets independent verification
- Obligated to pay only while customer personally benefits
- Simple contract or agreement form without complicated approvals
- Goal is “zero risk” transaction

Utility

- Puts charges on bill and collects
- Pays capital provider
- Notifies new customers at PAYS® locations of obligation (owner does, too)
- Could be Certification Agent
- May finance projects

Commission

- Must approve tariff
- Tariff defines measure eligibility and customers
- Tariff specifies rules & responsibilities of vendors, utility and customers
- Tariff identifies Certification Agent and role



Enhance Traditional Programs

- PAYS® incentive built into products
- PAYS® customers need no additional financial incentive
- Subsidies make more PAYS® measures qualify
- NH 2004 Testimony
 - less than half of projects needed subsidy
 - 72% spent on incentives could have been saved

Market System -- Not a Program

- Marketing by vendors who profit from sales
- Analysis by vendors (checked by Certification Agent)
- Financing by vendors or 3rd parties
- Vendors pay for inspections/oversight

Potential DTE Benefits

- Extremely low cost ee effort
- Lock customers into 7 - 10 year contracts
- If capital provider, DTE gets guaranteed interest rate
- Favorable Commission treatment (bonus, sales guarantee, rate of return)

What's Needed for PAYS®

- Collaborative agreement on design issues: certification, tariff, contracts, billing/IS changes, marketing, bad debt
- Selection of customer classes & measures
- Source of capital
- PSC approval



Questions & Answers

- From your February meeting minutes
- Today's questions



Disconnect for Non-Payment

- If measure works, DNP is same as for any other tariffed charge
- If measure fails during warranty & isn't fixed, customer stops paying
- If measure fails after warranty, Certification Agent repairs it; term extended to recover repair costs

Customer Verification(s)

- Customer coupons for small measures
- Identification by location for larger jobs
- No liens or credit checks but could check for current payment status

Entire Building Retrofit

- If package of measures meets PAYS® test, package is treated as a PAYS® product, even if one measure does not qualify
- For packages that don't qualify, most cost effective measures can be PAYS® products; customers pay for other measures

Specific Classes of Customers

- Target customers offer design (eg, CFL limit deters large C&I customers)
- Examples from Missouri Analysis (from www.paysamerica.org website)

Paybacks: How & Who

- Vendors perform analysis with PAYS® screening tool; analysis checked by Certification Agent
- Prescriptive measures require usage self-certification
- Certification Agent uses telephone & random inspections to verify



Permanent/Portable Measures

- Portable measures can be easily removed by occupant (CFLS)
- Permanent measures are part of structure (central HVAC, lighting fixtures, insulation)
- Some measures defy easy classification and require policy determination



NH Products

- PSNH: lighting, street lighting, exit sign retrofits and window replacement; new boilers likely qualify now (municipals)
- NHEC: CFLs, weatherization of gas heated homes, lighting retrofits, and HVAC retrofits (all classes)

Certification Agent

- Selection based on needs & resources
- NH utilities fulfilled role for pilots
- NY would use contractors; VT EEU
- Costs reduce eligible measures -- better to use existing resources
- Program fees can be used to fund CA

Who Administers PAYS®

- Decision for DTE, PSC and others
- By design, utilities perform billing and collection
- In NH pilots, utilities administered pilots
- In NY & Missouri utility admin unlikely



Specific NH Information

- Contract(s)
- Vendor-Driven Option
- PAYS® Screening Tool
- Rebates



Revolving Fund

- Only PSNH used a revolving fund -- not recommended
- NHEC borrowed funds for measures; used guarantee fund for bad debt (<.08%)
- PSNH used SBC funds & oversaw fund
- Utility, subsidiary, Certification Agent, state, or a capital provider could run a fund

Guarantee Fund

- NHEC used GF with SBC funds
- Not needed if bad debt treated as recommended
- With repayment assured, capital will be available at reasonable rates
- Funded by utility, state or grants

Guaranteed Rate of Return

- Both NH utilities had program charge
- PSNH - 5% to cover bad debt
- NHEC - 7% to cover interest on borrowed funds
- Third party rates will depend on contract with utility

Consumer Assurances

- Independent savings estimates: customer will save more than they pay (CA)
- Customers only pay while they personally benefit (tariff)
- Customers only pay if measures function (vendor, warranty, bonding, CA, and utilities)

Customers Not Assured Of

- Lowest cost
- Best possible product
- Best service
- Specific savings guarantee
- But these are not barriers in focus groups or in GDS evaluation of pilots

Credit Requirements - NH

- No credit requirements in pilots
- Verifying bill payment status deemed burdensome & unnecessary
- Near-zero bad debt during pilots validated this decision

Payment Requirements

- No minimums in pilots (except 6 CFLs)
- Minimum project size for continued PAYS® effort:
 - \$500 for residential
 - \$1,000 for commercial

PAYS® Cost Payback

- Except PAYS® setup, participants pay all costs through monthly PAYS® charges
- PSNH spent \$113,383 dollars to set-up and operate its pilot which installed \$1.2 million of measures
- PAYS® screening and customer payments assure cost effectiveness

Quality Control

- Certification Agent responsible for assuring measures meet 3/4 - 3/4 rule and are appropriate for installation
- CA uses combination of follow-up phone calls and random site visits
- Vendors pay costs of failed inspections



Other Questions?