

# Pay-As-You-Save (PAYS®)

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# DPUC Technical Hearing Presentation Outline

- Define PAYS®
- More than just electricity
- New Hampshire pilots
- PAYS® possibilities in CT
- What is needed to implement PAYS®

# Pay-As-You-Save (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.

## New PAYS® Infrastructure

- 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

## Market Barriers

- Competition for capital (first cost)
- Assurance of /confidence in savings
- Uncertainty about ownership or occupancy
- Customer debt obligation
- Split incentives

## PAYS® is Market Based

- Vendors take projects to customers
- Prices set by customer & vendor
- Savings are certified
- No up-front payment
- Pay only while at that location
- Whoever gets the savings pays
- Utility collects payments & forwards funds to capital provider

# Defining PAYS®

## Summary

- Purpose
- Key infrastructure elements
- Overcomes market barriers
- Market-based system
- Potential

## More Than Just Electricity

- NHPUC resource-blind PAYS® tariff
- Resource-blind tariff benefits customers & vendors
- Best if charges on impacted utility bill so all bills are lowered
- If charges on electric bill, it may increase; but total bills decrease

## NH PAYS® Pilot

- NHPUC order approved DNP and “run with meter”
- Two utilities -- PSNH, NHEC
- Started 2002
- Utility-operated version of PAYS®
- 10% of SBC for PAYS® measures
- Guarantee fund leverages more capital for measures

## NH PAYS® Pilot Update

- PSNH -- 104 projects (\$1.5 m for projects; \$143 k overhead)
- NHEC -- 18 projects (\$130 k for projects; \$91 k overhead)
- Miniscule bad debt

## PAYS® Pilot Successes

- Tariff developed
- Customers bought PAYS products
- Contractual roles worked out
- Billing issues resolved
- Vendors took projects to customers

## PAYS® Pilot Limitations

- Marketplace limited to utility capital or available public funding
- Utility staff qualified few non-electric projects
- Coop underutilized PAYS®
- Wrong incentive drives PAYS®

## PAYS® Opportunity in CT

- A chance to re-examine what is needed without market barriers
- Make programs more equitable
- Take full advantage of working marketplace
- Do more with less funding

## First PAYS Product

- Town of Stratford street lighting change out
- \$13,050 to change and relocate 58 fixtures
- \$6,292 annual savings
- Pays for itself in just 2 years, BUT
- “We couldn’t have done it without PAYS”
  - ◆ Voters turned down project despite robust savings
  - ◆ PAYS® does not require voter approval
- Not a loan, but a utility bill

## PAYS® CFLs

- 6-20 Energy Star CFLs
- \$0.25/month for 24 months
- 4 hours/day, \$0.10/kWh, avg. 40 watts savings; net electricity savings \$0.23/month/CFL
- If 8,000 hours, total net savings \$26
- If CFL stops working before end of payments, free vendor replacement

## NHEC Project

- Health club air handling system upgrade
- Saves \$800/month on electric bill & \$166/month avoided maintenance
- Costs \$530 a month
- Net electricity savings of \$270/month & total savings of \$430/month

## Water Savings Opportunity

- Flapperless toilet, showerhead, aerators
- \$500 to install measures
- 35 gallons/day per person savings
- If 2.5 persons, 31,937 gallons/year
- If \$.007/gallon for water and sewer, \$223.56/unit/year

## PAYS® Water Project (per unit)

- Assume 7% money for 5 years
- Payment \$9.90/mo (\$118.80/yr)
- Net savings \$8.73/mo (\$104.76/yr)
- 32,000 gallons saved

## PAYS® Examples

- Make existing programs fairer
- Make it easier for all customers to participate
- Lower or eliminate cost of incentives
- Turn vendors lose on established playing field

## What's Needed for PAYS®

- DPUC commitment & Order
- Collaborative with independent expert or hearing examiner
- Obtain capital:
  - ◆ Treat PAYS bad debt same as other utility bad debt
  - ◆ Guarantee fund for measure failure
  - ◆ NH repair option
- Certification, tariff, contracts, billing/IS changes, marketing

# Assistance

- NH model can help
- PAYS America can help