

Pay-As-You-Save (PAYS®)

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Market Barriers

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

PAYS Benefits

- Applicable to all cost effective projects
- Works with regulated and unregulated resources
- Does not require public subsidies
- Can mitigate utility lost revenues

Pay-As-You-Save (PAY^S®) 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

PAYS is Market Based

- Vendors take projects to customers
- Savings are certified
- No up-front payment - immediate savings
- Pay only while at that location
- Whoever gets the savings pays
- Utility collects payments and forwards to capital provider

Utility Lost Revenues

- Nov. '94 Electricity Journal article “Win/Win Approach For C&I Customers”
- Shared savings surcharge could mitigate against lost revenue rate impacts

Differences between ESCO services & PAYS

- PAYS is a tariff not debt -- Voter or Board approvals not needed
- No impacts on debt to equity ratings
- Uncertainty of occupancy or ownership is not an issue
- Projects independently certified
- ESCOs get more done with PAYS

Water Savings Project

- Flapperless toilet, showerhead, aerators
- \$500 cost 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 \$11.90/mo (\$142.80/yr)
 - ◆ \$9.90 to Water & Energy Services
 - ◆ \$2 to utility to mitigate lost revenues
- Net savings \$6.73/mo (\$80.76/yr)
- Water utility recovers \$24/yr
- 32,000 gallons saved

Summary

- Regulators can fix market-place
- PAYS can create vibrant markets for ESCOs and other vendors
- Investments in water efficiency become attractive
- PAYS products available to customers of regulated and non-regulated utilities
- Requires little public funding