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Re: Outlining the Customer Benefits of Pay As You Save

To the Minnesota Public Utilities Commission,,

My name is James Owen and I am the Executive Director of Renew Missouri, a nonprofit clean energy advocacy group. We appear before Missouri's regulatory agencies, intervenes in various utility cases, and engages stakeholders across the state. Prior to my role as Executive Director, I served as Missouri's Public Counsel. In this role, I represented ratepayers in all matters involving utility companies regulated by the State. My experience as Public Counsel reflects a record of zealous advocacy where I took a number of stances that, while unpopular with monied interests, strengthened the rights of the public . I am writing today to discuss the benefits of the Pay-As-You-Save (PAYS®) program, which has recently been approved and/or implemented by every major electric and gas investor owned utilities in Missouri.

While I am now a clean energy advocate, my support for PAYS began when I was Public Counsel. I believe the program is a great benefit to customers and offers strong protections built into its structure. We have also often observed during early discussions about the tool some fundamental misunderstandings of PAYS, and seek to offer where we can our experience that demonstrates how implementing this program can be a benefit to the public and to statewide clean energy goals such as those held in Minnesota.

PAYS allows deeper energy efficiency savings for customers that do not have the disposable income to make expensive energy efficiency investments and either are not income-eligible for ratepayer and tax-payer funded help or find for themselves that help incompatible with their needs or circumstance for any reason. Under PAYS model, the utility pays the up-front cost of the installed energy efficiency measures. Then, the utility puts a fixed charge on the customer's electric bill that remains significantly less than the estimated energy savings from the upgrades. Through this process, the customer sees immediate savings by paying less for energy while paying a fixed charge that is below the total estimated energy savings. Once the utility recovers its cost, the obligation of the customer to pay ends and the utility transfers ownership of the upgrades to the customer. PAYS system requires no credit checks, no liens, no new debt obligations, has no barriers to participation for landlords and tenants, and there is no obligation to pay if the customer is not benefitting.

PAYS is designed to ensure consumer protections in a number of ways. First, an approved energy efficiency contractor must conduct a cost-effectiveness analysis and determine that the customer would benefit before efficiency measures are installed. To ensure that the customer benefits from the program, the recommended upgrades are limited to those where the annual Program Service Charges are no greater than 80% of the estimated annual benefit from reduction to the customer's annual utility charges. This requirement reasonably assures customers that they will receive a minimum reduction of 20% in their annual utility charges. The Service Charges are set for a duration not to exceed 80% of the life of the upgrades or the length of a full parts and labor warranty, whichever is greater, and in no case longer than twelve years. All of this, plus the contractor's plan for efficiency upgrades, is outlined in a written agreement and must be signed by the customer before participation to ensure full disclosure of the program's benefits and obligations.

Second, there are quality assurances built into the program. Under the PAYS model, contractors are paid by the utility company after the energy efficiency upgrades have been completed and following an on-site or telephone inspection and approval of the installation by the utility or its program officer. If the utility or program operator determines the work has not been adequately completed, the contractor will not be compensated for their work until the issues have been resolved. These quality assurances ensure that the participating customer receives high quality work, resulting in greater estimated energy savings. PAYS participants are required to maintain the upgrades in the manner prescribed by the manufacturer. If an upgrade fails, the utility is responsible for determining its cause and repairing the equipment in a timely manner, so long as the owner, customer, or occupants did not damage the upgrades. Importantly, if the upgrades are not functioning as intended and were not damaged by the participant, the utility will suspend the Service Charge payment obligation until repairs are made. If the upgrade cannot be repaired or replaced in a cost effective manner, the utility will waive the remaining charges.

It is important to note that energy efficiency upgrades installed through PAYS are "tied to the meter." Unlike a tradition loan that is tied to the property owner, the person responsible for paying the bill at the metered location will be subject to the Service Charge until it is fully recovered. However, in the event that the participant moves from the location, the next property owner or occupant will resume payment on their utility bill. As the utility only invests in upgrades that are cost effective, and the Service Charge does not increase when rates increase, the successor customer will receive the full benefits of the upgrades, including a lower utility bill, that the original customer enjoyed. Moreover, the customer who has moved no longer has any obligation to pay. At all. This model ensures that the participant is not burdened with debt that creates unnecessary financial risk for those seeking energy efficiency upgrades.

Finally, the issue has been raised previously that the PAYS participant is subject to disconnection for nonpayment of the Service Charge under the same provisions as for any other electric service. While this is possible, there are several reasons why this approach does not put consumers at unreasonable risk. First, traditional loans for efficiency upgrades typically require liens that put customers at risk of repossession or foreclosure for nonpayment. As PAYS is not a loan under any legal definition, customers avoids this risk. Next, the PAYS Service Charge is only a fraction of the customer's utility bill, and the greater the Service Charge, the greater the offset by savings on utility costs. As such, the alleviation of the burden of high utility bills accomplished through PAYS participation renders disconnection more unlikely than before because of the lowered bill, and certainly no more unlikely than the risk any customer faces from disconnection in the general course. In fact, across all PAYS programs nationally there are no disconnections recorded as a result of participation.

Overall, PAYS offers accessibility to energy efficiency in a manner above and beyond traditional utility programs. The built-in consumer protections facilitate a low-risk investment that encourages high rates of participation in customers not currently reached. Please feel free to contact me with any questions or comments that you may have, or for further discussion, at (417) 496-1924 or james@renewmo.org. I appreciate your time and consideration of this topic.

Warm regards,

James Owen
Executive Director, Renew Missouri