CONSUMER PROTECTIONS IN INCLUSIVE FINANCING FOR ENERGY EFFICIENCY

Part 3 of the SEEA Learning Circle Series
SEEA Serves the Southeast

Mission
The Southeast Energy Efficiency Alliance (SEEA) works to ensure people in the Southeast have the knowledge, resources, and opportunities to optimize energy use.

Vision
Energy efficiency is a primary driver of a prosperous, healthy and sustainable Southeast.

Work Areas:
- Built Environment
- State, Local & Utility Policy
- Energy Equity
- Energy Efficiency Finance
SEEA & Energy Efficiency Finance

Work Area Goal

Expand the availability and accessibility of capital to make energy efficiency investments.

EE Finance Activities

- 2014 Arkansas Energy Office Statewide Financing Options Study
- 2014 Southeast Energy Efficiency Fund
- 2014 North Carolina On-Bill Working Group
- 2015 SEEA webinar with CEO of Roanoke Electric
- 2015 SEEA conference highlight: The Roanoke Center
- 2016 SEEA conference highlight: Ouachita Electric
- 2017 SEEA Learning Circle for Inclusive Financing

Solutions that works for anyone – regardless of income, credit score, or renter status – are better for everyone.
Welcome to the Learning Circle!

• Participants moving beyond “101” level have:
  1. Joined the first two sessions
  2. Identified an application of tariffed on-bill financing for energy efficiency that they want to pursue or explore

• Sessions will feature more direct dialogue and reserve more time for exchange to delve deeper on specific topics

• Questions related to your project can benefit from follow-up attention so be active in entering your questions throughout.
Drawing on Experience

✓ **D. Maurice Kreis**, Consumer Advocate for the Public Utilities Commission of New Hampshire; counsel to Commission when it first approved tariffed on-bill programs

✓ **Harlan Lachman**, Principal of Energy Efficiency Institute and one of the creators of Pay As You Save® (PAYS®)

✓ **David Neal**, Staff Attorney for Southern Environmental Law Center

✓ **Holmes Hummel, PhD.**, founder of Clean Energy Works to mobilize more investment in the clean energy economy, open to all through inclusive financing;
Why focus on Consumer Interests within the Learning Circle Series?

- **Consumer advocates** and community based organizations often represent public interests in utility proceedings.

- The interests of **low-income customers** are typically prioritized because they are most vulnerable to the impacts of rate increases and other rule changes.

- Understanding lines of inquiry commonly raised by consumer advocates is important, as is providing **responsive answers**.
Why focus on Consumer Interests within the Learning Circle Series?

- **First** session: Showed how inclusive financing through tariffed on-bill programs removes barriers to EE for consumers.

- Most offering tariffed on-bill programs have chosen to use the PAYS® system for program design – as did all 3 in the **second** session.

- Field results reported by utilities in multiple states indicate a majority of consumers receiving an offer of investment say, “Yes.”

  - Consumer protections are an essential part of program designs that yield high rates of “Yes”
Consumer Protections in Inclusive Financing for Energy Efficiency

- Terms in the Pay As You Save® (PAYS®) system
- Tariffed terms binding on successor customers
- Disconnection for non-payment
- Quality Assurance and Measurement & Verification
- Q & A
Field experience shows this is an Offer That Works

• “Energy saving upgrades are installed in your building and you pay nothing upfront.

• Your utility pays for the installation. A charge that is significantly less than the estimated savings is added to your bill.

• You have no loan, no lien, and no debt with this transaction; just lower bills.

• If an upgrade fails and is not repaired or if you move, the program charges end, if you have maintained the upgrades.”

Among customers who receive this offer, the majority say “Yes.”
PAYS® Assurance of Net Savings

• Savings are not guaranteed:
  – Specific savings depend on occupant behavior
  – Savings analysis has inherent margin of error

• PAYS® promise:
  – Estimated annual savings significantly exceed annual on-bill charges
  
    ➤ 80% rule: Customer’s estimated savings equals or exceed their charges by 25%

  – Better than “bill neutral” offers: Fewer upgrades may qualify, but many more customers participate
PAYS® Assurance of Net Savings

Estimated average energy savings:

Energy Savings

Years

80%

Useful life of upgrade

Blue = $0.8 \times 0.8 = \frac{0.64}{1.00} = \frac{2}{3}$

Green
More Consumer Assurances with PAYS®

• **Contractors:** Training programs, certification requirements, bonding, penalties for failed inspections

• **Open competition:** Contractors and suppliers bid to participate in the utility program
  – Program buying power ensures best products installed at low prices
  – Contractors assume liability for subcontractors

• **Disputes:** Binding arbitration quickly resolves problems outside of court; no reported instances of its use
Consumer Protections in Inclusive Financing for Energy Efficiency

- Terms in the Pay As You Save® (PAYS®) system
- Tariffed terms binding on successor customers
- Disconnection for non-payment
- Quality Assurance and Measurement & Verification
- Q & A
SELC has fielded stakeholder inquiries about tariffed on-bill programs that require legal expertise, and the findings are included in three memos:

1. **Members Save Money While Saving Power**
2. **Tariffed on-bill programs have met with approval by Public Utility Commissions**
3. **Coops have the authority to offer a PAYS tariff**
Utility Authority to Apply Tariffed Terms to Successor Customers

• Tariffed on-bill programs are subject to the same rules as any other utility tariff

• Tariffs must be “just and reasonable” and cannot be unreasonably discriminatory
  – These criteria apply whether a utility is regulated by a state utility commission or an elected board.

• A PAYS tariff is reasonable and does not result in undue discrimination:
  – The costs for upgrades are paid by those who most directly benefit
  – Tariff is designed to result in lower bills
  – Estimated savings exceed tariffed cost recovery charge
Utility Authority to Apply Tariffed Terms to Successor Customers

Four key points in the consideration of successor customers:

• Commissions in NH, HI, KS, KY and AR have accepted the position that utilities are entitled to full cost recovery for their demand-side investments just as they are for investments in supply.

• Because there is no assignment of debt to a customer in a tariffed on-bill program, there is no obligation to transfer from one customer to another.

• The terms of the tariff apply to the meter until all costs are recovered, and tariffed charges survive foreclosure proceedings, changes in tenancy, and periods of vacancy.

• Building owners are obligated to disclose to prospective buyers or renters that the utility has invested in upgrades and is recovering its costs at the site with a charge less than the estimated savings.
Consumer Protections in Inclusive Financing for Energy Efficiency

• Terms in the Pay As You Save® (PAYS®) system
• Tariffed terms binding on successor customers
• Disconnection for non-payment
• Quality Assurance and Measurement & Verification
• Q & A
Disconnection for Non-Payment

• Commissions in NH, HI, KS, KY, and AR have agreed that tariffed on-bill investments are essential utility services and that participation benefits customers.

• Just like all other essential utility services, the utility’s existing rules for disconnection apply to the initial and successor customers at a location at which upgrades have been installed through a tariffed on-bill program.

• None of the utilities offering a tariffed on-bill program have reported exercising disconnection due to non-payment from a program participant.
Consumer Protections in Inclusive Financing for Energy Efficiency

- Terms in the Pay As You Save® (PAYS®) system
- Tariffed terms binding on successor customers
- Disconnection for non-payment

- Quality Assurance and Measurement & Verification
- Q & A
Best Practices in Quality Assurance

• Workforce development
  – Professional training and qualifications
  – Mentorship and other ongoing professional education opportunities

• Photos support visual inspection

• Site inspections for a sample set of sites (3-10%)

• Preference for products with warranties; offer service contracts for mechanical equipment to qualify for extended warranties

• Actively solicit customer feedback at multiple points
Measurement & Verification: Uniform Method Protocols

UNIFORM METHODS PROJECT FOR DETERMINING ENERGY EFFICIENCY PROGRAM SAVINGS

Under the Uniform Methods Project, DOE is developing a set of protocols for determining savings from energy efficiency measures and programs. The protocols provide a straightforward method for evaluating gross energy savings for residential, commercial, and industrial measures commonly offered in ratepayer-funded programs in the United States. The measure protocols are based on a particular International Performance Verification and Measurement Protocol (IPMVP) option, but provide a more detailed approach to implementing that option. Each chapter has been written by technical experts in collaboration with their peers, reviewed by industry experts, and subject to public review and comment.

ABOUT THE UNIFORM METHODS PROJECT

Learn more about the protocols, benefits, and structure of the Uniform Methods Project.

PROTOCOLS

You can read the individual protocols or all of them combined into a single report titled The Uniform Methods Project: Methods for Determining Energy Efficiency Savings for Specific Measures.
Measurement & Verification: Uniform Method Protocols

COMBINED COMMERCIAL AND RESIDENTIAL


Whole-Building Retrofit with Consumption Data Analysis Evaluation Protocol (April 2013)

CROSS-CUTTING

These crosscutting topics are referenced in measure-specific protocols and are not efficiency measures. These supplemental discussions help extend the measure-specific method for determination of savings to evaluating whole programs.

Metering Cross-Cutting Protocols (April 2013)
Peak Demand and Time-Differentiated Energy Savings Cross-Cutting Protocols (April 2013)
Sample Design Cross-Cutting Protocols (April 2013)
Assessing Persistence and Other Evaluation Issues Cross-Cutting Protocols (April 2013)
Estimating Net Savings: Common Practices (September 2014)
Measurement & Verification: Uniform Method Protocols

Chapter 8: Whole-Building Retrofit with Consumption Data Analysis Evaluation Protocol

The Uniform Methods Project: Methods for Determining Energy Efficiency Savings for Specific Measures
Consumer Protections in Inclusive Financing for Energy Efficiency

• Terms in the Pay As You Save® (PAYS®) system
• Applying the tariffed terms to successor customers
• Disconnection for non-payment
• Quality Assurance and Measurement & Verification

• Q & A
Questions?
Next Session:
Thursday, April 20, 2:00 p.m. - 3:00 p.m. EST

Decision Tool for Utility Managers:
Key considerations before investing in resource efficiency and rooftop solar through a tariffed on-bill program

Downloading this guide and reading through it in advance will help participants get the most out of the session.

Have a colleague or contact who would benefit from this Learning Circle? Invite them to apply! Email Wesley Holmes (wholmes@seealliance.org) for a link to the Registration Form.
Beyond the Basics: Learning Circle on Inclusive Financing

1. Introduction to Inclusive Financing for Energy Efficiency
2. Update on Existing Programs
4. Due diligence with the Decision Tool for Utility Managers
5. Exploring Program Operator models
6. Establishing a Reserve Fund for tariffed on-bill EE programs
7. Sourcing capital for a Tariffed On-Bill investment program
8. Jobs: Workforce development in rapidly expanding EE markets
Pay As You Save® (PAYS®)

PAYS offers all utility customers the option to access cost effective energy upgrades using a proven investment and cost recovery model that benefits both the customer and utility.

Pay As You Save® and PAYS® are trademarks of Energy Efficiency Institute, Inc.
Opt-in Tariff for On-Bill Energy Efficiency: Approved by Utility Commissions in Kansas, Kentucky, and Arkansas

The model tariff here is based on the most recent filing, unanimously approved in Arkansas.

Pay As You Save® and PAYS® are trademarks of Energy Efficiency Institute, Inc.
<table>
<thead>
<tr>
<th>Attributes</th>
<th>Home Energy Lending Program (HELP)</th>
<th>HELP PAYS®</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Residential participants are eligible</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Renters are eligible</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• No credit score check or no debt to income ratios</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• No upfront participant cost</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Estimated savings <strong>must exceed</strong> cost recovery charges by 20%</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Participant signs a loan or promissory note for a debt obligation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>• Participant accepts an opt-in utility tariff (NOT a debt) tied to meter</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>• Cost recovery is through a fixed charge on the utility bill</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Participant accepts tariff with disconnection for non-payment</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Payments end if upgrade fails and is not repaired</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>• Tariff runs with the meter and remains in effect for subsequent customer at that location until cost recovery is complete</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>