

ON-BILL TARIFF FINANCING FOR ENERGY EFFICIENCY:

THE **PAY AS YOU SAVE**® MODEL



Andrew Linhares
Renew Missouri

Andrew@renewmo.org

WHAT IS PAY AS YOU SAVE®



PAYS is a financing tool (often referred to a “tariffed on-bill” program) that allows utilities to invest in cost-effective energy upgrades in a property, and then secure that investment with a fixed tariff charge for the customer that is significantly less than the expected savings.

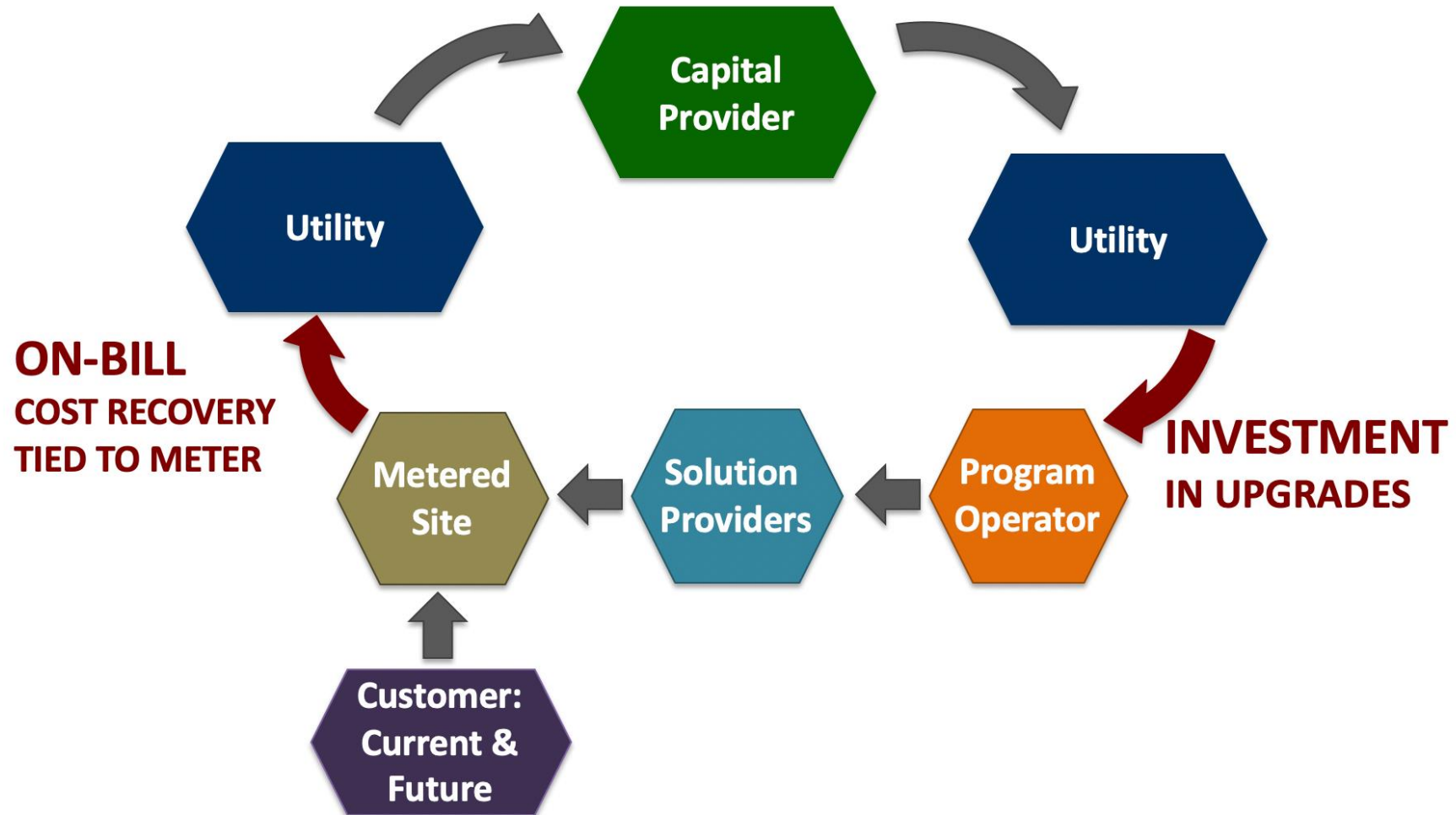
Proprietary model: trademark held by the Energy and Efficiency Institute (EEI).



PAYS is also a tool for delivering **equitable energy solutions**. It can be made available to virtually all customers, because it avoids many of the upfront barriers to residential efficiency upgrades (upfront capital costs; income qualification; home ownership; transferability).

Tariffed On-Bill Investment Program

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.



PAYS COMPARED TO OTHER ON-BILL PROGRAMS



Attributes for an Efficiency Program	On-Bill Loan	On-Bill Tariff
→ Renters are eligible		✓
→ No credit score or minimum income level is required to participate		✓
→ Participant signs a loan or promissory note for a debt obligation	✓	
→ Participant accepts an opt-in utility tariff that is tied to meter		✓
→ Cost recovery is through a fixed charge on the utility bill	✓	✓
→ Cost recovery charge is capped at 80% of estimated savings		✓
→ Participant accepts tariff with disconnection for non-payment		✓
→ Payments end if upgrade fails and is not repaired		✓
→ Tariff runs with the meter and remains in effect for subsequent customers at that location until cost recovery is complete		✓

WHERE IS PAYS BEING USED?



Rural Electric Cooperatives have led the way so far:

- Roanoke Electric (North Carolina): “Upgrade to \$ave”
 - <https://www.roanokeelectric.com/UpgradeToSave>
- Midwest Energy, Inc. (Kansas): “How\$mart®”
 - <https://www.mwenergy.com/environmental/energy-efficiency/howsmart>
- MACED (Kentucky): “How\$mart KY”
 - <http://www.howsmartky.com/>
- Ouachita Electric Cooperative (Arkansas): “HELP PAYS”
 - <https://www.oecc.com/help>

Missouri IOUs taking significant steps to pursue PAYS pilot programs

PAYS being used for electric school bus financing (e.g. White Plains, New York)

EQUITY CONCERNS – PAYS FOR INCOME-QUALIFIED RENTERS



- **Tension** between:
 - providing low-income residents with ability to experience significant lasting savings with no upfront cost; and
 - protecting low-income residents from disconnection and from undue pressure from marketing or owners.

PROS	CONS
Long-term cost reductions (80% rule) with no up front cost or debt	Potential greater risk of disconnection (shoulder months)
May be only access to EE for low-income residents, where PACE and OBF fail	May be used as argument for replacing existing incentives and rebates
Available to renters (stays with meter)	Landlord/owner may avoid obligations to tenants, while improving property value
Quick approval: no debt involved, and no credit checks necessary	Difficult to screen customers for likely non-payment.

PAYS UPDATES FROM MISSOURI



■ Ameren Missouri –

- Agreed to voluntarily pursue an on-bill financing program.
- Pilot program, funds limited to \$15 million ±
- Issued an RFP (Oct. 2019), requested bids based on the PAYS® model, and selected a primary contractor and subcontractor to run a PAYS program in November.
- Stakeholder meetings taking place now to determine key issues; tariff filing to follow later in Spring 2020.



- Evergy, Inc. (formerly Kansas City Power & Light) –



- File No. EO-2019-0132: Commission ordered utility to develop and launch a PAYS pilot program, (December 2019)
 - Not a technical “order;” rather a strong recommendation based on arguments from OPC and Renew MO.
 - Commission found that PAYS “offers unique opportunities to broaden participation in MEEIA programs...”
- Conducting stakeholder feedback process now, and RFP to select contractor to follow.

THANK YOU!



www.renewmo.org

Andrew@renewmo.org