DOCKETED	
Docket Number:	22-DECARB-03
Project Title:	Equitable Building Decarbonization Program
TN #:	251197
Document Title:	Energy Efficiency Institute, Inc Comments - EEI Inclusive Utility Investment Program
Description:	N/A
Filer:	System
Organization:	Energy Efficiency Institute, Inc.
Submitter Role:	Public
Submission Date:	7/27/2023 9:55:31 AM
Docketed Date:	7/27/2023

Comment Received From: Energy Efficiency Institute, Inc.
Submitted On: 7/27/2023
Docket Number: 22-DECARB-03

EEI Inclusive Utility Investment Program Comments

Additional submitted attachment is included below.

Energy Efficiency Institute

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Memorandum

TO: California Energy Commission
FROM: Harlan Lachman, President, and Paul A. Cillo, Vice-president
RE: Inclusive Utility Investment Program Comments
DATE: July 27, 2023

The Energy Efficiency Institute (EEI) is the creator of the Pay As You Save® or PAYS® resource efficiency system. PAYS is the only example of an inclusive utility investment (IUI) that we know of and the programs cited by IUI advocates are all based on the PAYS system. You can find more information including the PAYS essential elements and minimum program requirements at www.eeivt.com.

PAYS was developed and first described by EEI in a 1999 paper commissioned by the National Association of Regulatory Utility Commissioners. New Hampshire was the first state to implement PAYS after its Commission ordered in 2001 the state's two largest utilities to implement PAYS pilot programs. The programs became permanent following a 2004 Commission order. PAYS programs have been implemented by electric utilities in 8 states (NH, KS, HI, KY, NC, AR, TN, MO) and remain active in 6 states (NH, KS, KY, NC, AR, MO). A status report is available at http://www.eeivt.com/status-reports/.

Additionally, in California in 2012 two Sonoma County water utilities implemented PAYS pilots. Lessons from these pilots have resulted in the creation of the BayREN Water Upgrades Save regional program, currently operating at two additional water utilities.

PAYS programs have helped more than 6,000 customers to invest over $60 million in energy- and water-saving upgrades. None of the implementing utilities has reported disconnecting any customer for PAYS non-payment, perhaps evidence that it is easier to pay lower utility bills.

To varying degrees, EEI has been involved with the approval, design, and management of all these PAYS programs. While EEI has not been directly involved in California proceedings until now, we are writing in response to the California Energy Commission's (CEC) interest in receiving input about IUI for two reasons:

1. EEI has spent the last 25 years defining and refining PAYS in response field experience and we are the most knowledgeable about its history, how it works, and why 60-90 percent of customers say yes to PAYS offers without customer copays.
2. EEI wants to set the record straight about PAYS and IUI, given claims by various parties involved in California proceedings who, except for those involved with Water Upgrades Save, have no experience designing or implementing successful IUI programs.

Below we touch on several aspects of PAYS that have been the subject of discussion in California proceedings.

Disconnection for non-payment (DNP): There have been suggestions that EEI is promoting DNP. That is not the case. EEI has included DNP as an essential element of PAYS because that is how utilities currently ensure collection of billed charges and necessary cost recovery. EEI simply has insisted that PAYS on-bill charges be subject to the same billing and collection protocols as all other charges for essential utility services. Our 2021 memo on this topic can be found at http://www.eeivt.com/wp-content/uploads/2021/07/PAYS-Roadmap-Memo-Final3.pdf

Guaranteed savings: Some parties have raised the issue of guaranteed savings, creating a false dilemma: either a program guarantees savings or it is hurting low-income customers. This leads to the conclusion that any program must provide resource efficiency upgrades at no cost to low-income customers to ensure they are not hurt.

The fact is that it is impossible for any program to guarantee savings simply because there are too many customer factors in play, including occupancy, temperature settings, hours of use, and the purchase and use of new resource using equipment. PAYS does not include a savings guarantee because such guarantees are not possible without myriad caveats, making the guarantees meaningless.

To provide meaningful assurance of savings PAYS includes a number of consumer protections so that customers can get immediate net savings with no upfront cost. Here are a few:

- PAYS projects are based on an on-site assessment that includes measurements, discussion with the owner or residents, and visual inspection.
- All PAYS upgrades use technologies that have been proven to save. For example, a showerhead that uses 1.6 gallons/minute cuts water and energy use in half when replacing one that uses 3.2 gallons/minute. The only question is how much the customer uses the shower. So while on site, the assessor asks the resident how many times each day and how long the shower is used. To protect successor customers at a location, assessors cap occupancy and usage assumptions in their savings estimates based on state and federal reported averages.
- Savings estimates are based on actual conditions at a location. PAYS does not rely on averages if site-specific information is available. PAYS assessors check their estimated usage against actual bills for the location to ensure that their estimates are realistic.
- Cost controls assure fair and reasonable costs for customers. All current PAYS programs include mechanisms to avoid participants needing to solicit bids to obtain fair prices from vetted contractors. Contractor upselling is prohibited through the program.
- PAYS builds in a margin for error. On-bill charges cannot be more than some percentage of the estimated savings, usually 80 percent.

These protections have resulted in a customer offer with a much higher customer acceptance rate than any other efficiency program, virtually no customer complaints, and a 0.2 percent utility-reported PAYS participant non-payment rate, which is much lower than all of these same companies' rates for their other customers.

Program complexity: In order to make offers to customers that are too good to refuse, a program needs to remove all the barriers to customer acceptance. That is what EEI set out to do when we created PAYS. That means putting the risk inherent in efficiency programs somewhere other than with the customer. So PAYS puts the complexity of the program in the back office to keep it simple for the customer. Utilities operating efficiency programs are much better positioned to handle risk and complexity than their customers are. Contractors provided with free marketing and zero cost for customer acquisition are also better positioned to absorb some risk and complexity. Efforts to shift program risk or complexity off utilities and contractors and onto customers will result in lower customer acceptance rates and more customer complaints. Both undermine program success.

We wanted to give the CEC a sense of what is possible with IUI and why certain design elements are essential to successful implementation. This is a brief overview that touches on a few key issues. There are many more that are not included in this letter in the interest of brevity.

EEI would welcome the opportunity to discuss PAYS and IUI at greater length should the CEC find such a conversation useful.