

# New Hampshire PAYS® Pilot Results

January 2004

On November 29, 2001 in Order 23,851, the New Hampshire Public Utilities Commission (PUC) authorized two electric distribution utilities, Public Service Company of New Hampshire (PSNH) and New Hampshire Electric Cooperative (NHEC), to operate two-year PAYS® pilot programs with charges that “run with the meter” and disconnection for non-payment. In January 2002, PSNH implemented the first PAYS® pilot program in the country. NHEC began its PAYS® pilot program on May 29, 2002. Both pilots have proved that PAYS® works and can help customers purchase cost-effective, resource efficiency products they would otherwise not buy.

According to their reports to the PUC, as of September 30, 2003 these utilities' pilots have resulted in 149 projects completed or in the pipeline (eligible projects in process or waiting utility or town approval) totaling more than \$1.38 million. These pilots prove that:

1.) Customers want PAYS® products.

- In its December 12, 2002 response to PUC requests for information, PSNH reported projects completed or in process exceeding its \$600,000 budgeted for measures in 2002.
- In its August 8, 2003 Second Quarter PAYS® Pilot Report, PSNH noted that it had projects completed or in the pipeline representing 90% of the pilot's target for purchases of efficiency measures. Calls to PSNH in August verified that at that time, they had identified the remaining projects to be funded using its 2003 revolving loan fund budget.

2.) Customers who have not previously purchased resource efficiency products will buy PAYS® products.

- Town of Stratford, NH. PSNH's first project, the Town of Stratford's street lighting change-out, required \$13,050 to change and relocate 58 fixtures. The annual savings were estimated to be almost \$6,300, a payback of just over two years. According to a member of the Selectboard, “We could not have done it without PAYS®.” Despite the robust savings, voters had turned down this project just a few years before. The PAYS® project did not require voter approval. Stratford was one of the many New Hampshire Towns that have taken advantage of PAYS®.
- Forest Ridge Condominium, Lincoln, NH. NHEC's March 2003 newsletter features a story about Forest Ridge Condominium in Lincoln, New Hampshire. “Replacing the aging dehumidification system had long been a back burner project...*(with PAYS®)* the project quickly moved to the front burner.” This customer now spends \$530 per month to pay for the project and saves more than \$830 per month in reduced energy costs and more than \$160 per month in reduced maintenance (a net savings of \$460 each month). No up-front cost and no debt obligation made this and other NHEC projects possible.

3.) Customers will pay their PAYS® charges which means that, unlike subsidy programs, funds expended for measures will be returned and be available to help other customers.

- As of November 3, 2003, PSNH had recovered 100% of all billed PAYS® charges.

- As of August 12, 2003, one NHEC customer had defaulted on payments for compact fluorescent light bulbs (CFLs). Assuming this customer failed to make any payments and took the maximum number of CFLs (i.e., 20), the resulting bad debt represents less than eight hundredths of one percent (0.08%) of the amount NHEC customers spent on PAYS® measures as reported in NHEC's Second Quarter 2003 report.
- 4.) Vendors will market and sell PAYS® products independent of utility program staff.
- According to PSNH's April 3, 2003 response to a PUC staff data request, vendors had marketed PAYS® products to customers for seven of the twenty-five completed projects (28%), six of the 15 projects in process (40%), and twenty-one of the remaining forty-two projects under consideration (50%). PSNH's pilot design did not provide for vendor marketing of projects.
  - Rand's Hardware in Plymouth, NH offered to help design and implement NHEC's Point-of-Sale CFL program. The store absorbed all staffing, product, warranty and most administrative costs. The Coop provided initial marketing. Bill stuffers accompanying monthly bills identified the customer as a Coop member and had the customers account number hidden on the form to simplify adding charges to the bills. Rand's also sold CFLs subsidized by the Coop with a member price of \$1 - \$3 per CFL. PAYS® CFLs at \$0.25 per month for twenty-four months outsold the subsidized CFLs two to one during the first few months after the Coop offered this option. Even though customers paid more for PAYS® CFLs, they paid nothing up front (10 CFLs could cost \$30) and if the CFL stopped working during the payment period they would get a new one.
- 5.) The PAYS® legal structure involving a tariff and contract documents functions well and to date there have been no problems.
- Order 23.851 is available from the PUC's website. It summarizes key findings on PAYS®, including the PUC's reasons for ordering the state's two largest utilities to offer PAYS® products, for allowing the utilities to disconnect for non-payment of PAYS® charges just as they do for all other tariffed charges, and for allowing PAYS® charges to "run with meter" (i.e., allow the charges to be binding on later customers who occupy the same premises and benefit from the measures).
  - PSNH's pilot started January 1, 2002. Within 60 days of the PUC's order, PSNH had filed its PAYS® tariff at the PUC, designed and printed program contracts and forms, trained key staff to implement PAYS®, designed and printed sample bills showing PAYS® Delivery Charges (PDCs), set-up spreadsheets to calculate PDCs, written a frequently-asked-questions handout, and made offers to customers that had been accepted.
- 6.) Utilities can manage PAYS® billing and collection without major difficulty. There have been no complaints about billing and collection from either utility in their progress reports.