Exhibit A

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

In the Matter of the Application by	**)**	
CenterPoint Energy Resources Corp. d/b/a	**)**	**PUC Docket No. G-008/GR-19-524**
CenterPoint Energy Minnesota Gas for	**)**	
Authority to Increase Natural Gas Rates	**)**	
in Minnesota	**)**	

DIRECT TESTIMONY OF

KIM HAVEY

ON BEHALF OF

THE CITY OF MINNEAPOLIS

JULY 15, 2020

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I. INTRODUCTION

Q: Please state your name, occupation, and business address.

A: My name is Kim Havey. I am the Director of Sustainability for the City of Minneapolis. My business address is 350 South 5th Street, City Hall, Suite M301, Minneapolis, MN 55415.

Q: Please summarize your professional experience.

A: I have worked as the Sustainability Director for the last two years at City of Minneapolis leading a staff of seven on the development and implementation of the Minneapolis climate action plan, energy disclosure ordinance, sustainable building policy, state energy code legislation, regulatory dockets with the Minnesota Public Utilities Commission, and efforts such as the North and South Side Green Zones to end racial and environmental injustice.

Prior to working for the City of Minneapolis, I spent 15 years in both the public and private sector. I led efforts at the Minnesota Department of Commerce's State Energy Office to expand solar programs and renewable energy policy throughout the state. From 2004 to 2013, I co-founded and grew Sustology, a sustainability and renewable energy consulting firm that helped clients achieve LEED certification for more than 3 million square feet of commercial space and developed over 10 MWs of solar energy.

Q: Have you ever served as an expert witness before any commission? If so, please provide additional information about said experience (*i.e.,* the docket #, purpose of docket, subject matter, and result)?

A: No, I have never been an expert witness in any previous commission matter.

Q: Was your testimony, including associated schedules and exhibits, prepared by you or under your control and direction?

A: Yes. I prepared this written testimony with the assistance of City of Minneapolis Attorneys' Office to ensure it was submitted in compliance with the procedural rules of the Minnesota Office of Administrative Hearings; however, everything prepared herein was done under my control and direction as the Director of Sustainability for the City of Minneapolis.

The attached schedules are as follows:

- **<u>Schedule A1:</u>** CV of Kim Havey, City of Minneapolis Director of Sustainability
- **<u>Schedule A2:</u>** Energy Efficiency Inclusive Financing Tariff
- **<u>Schedule A3:</u>** State Public Utilities Commission Orders on Pay As You Save®

Q: What is the purpose of your testimony?

A: The City of Minneapolis ("City" or "Minneapolis") offers this testimony for the purpose of supporting our proposed energy efficiency inclusive financing tariff pilot program ("Program"), (Schedule A2).

Minneapolis has two primary reasons for proposing this Program. First, Minneapolis has a significant interest in reducing the financial hardship that some residents experience associated with paying for energy services, and it recognizes that the CenterPoint rate case may create additional hardship for households.

Additionally, Minneapolis and CenterPoint are partners in the Clean Energy Partnership ("Partnership") where we have been engaged in discussions regarding climate mitigation strategies to achieve our climate and clean energy goals since 2015. Inclusive financing is a strategy that the Partnership unanimously supported in both the 2019-2021 Workplan[1] and by board resolution.[2]

Q: Please describe the Clean Energy Partnership.

A: Minneapolis, CenterPoint Energy (the natural gas utility), and Xcel Energy (the electric utility) established the Clean Energy Partnership under a separate Memorandum of Understanding with each entity.[3] The collective action of the partners is governed by an eight-member Board, representing high-ranking elected officials and utility leadership**.** The purpose of the Partnership is to advance the Minneapolis' goals for clean energy, climate action, and equity. Inclusive financing is a key topic of focus.

II. GENERAL RATE CASE

Q: Please describe your testimony and the City of Minneapolis's interest in the rate case.

A: On October 28, 2019, CenterPoint Energy filed an application for authority to increase natural gas rates for Minnesota customers by $62.0 million, or approximately 6.8%, over

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[1] Clean Energy Partnership Planning Team, *Minneapolis Clean Energy Partnership 2019-2021 Work Plan* (Nov 8, 2018), p. 19, *available at* https://mplscleanenergypartnership.org/wp-content/uploads/2018/11/CEP-2019-2021-Work-Plan_FINAL-APPROVED.pdf.

[2] Minneapolis Clean Energy Partnership, Minneapolis Clean Energy Partnership Board Meeting, *available at* https://mplscleanenergypartnership.org/wp-content/uploads/2019/07/Q2-2019-Board-Meeting-Notes_Final-Draft-1.pdf (last accessed July 13, 2020)

[3] *See, e.g.,* City of Minneapolis and CenterPoint Energy, *Memorandum of Understanding - Clean Energy Partnership* (2014), *available at* https://mplscleanenergypartnership.org/wp-content/uploads/2014/12/centerpoint-mou.pdf.

2018 costs.[4] My testimony addresses Minneapolis's interest in the rate case and how inclusive financing provides an opportunity to mitigate possible increases in residential rates.

Specifically, Minneapolis is concerned that a rate increase will impose additional hardship on low and moderate income residents and Black, Indigenous, People of Color (BIPOC) who are disproportionately impacted by high energy burdens. According to a 2016 study of major metropolitan areas, including Minneapolis and Saint. Paul, "On average, African- American and white households paid similar utility bills, but African-American households experienced a median energy burden 64% greater than white households (5.4% and 3.3%, respectively)."[5]

Homeowners and renters need access to a program that will reduce the impact of increasing rates. Inclusive financing is an on-bill tariff energy efficiency program that does not rely on credit worthiness, upfront cash payments, or ownership of one's residence to mitigate the rate increase costs. It is a complement to existing programs such as the Conservation Improvement Program and the Weatherization Assistance Program.

For example, air sealing and attic and wall insultation have the potential to produce energy savings of up to 30%. However, without access to capital, low and moderate income ratepayers who are not eligible for federal weatherization or low income Conservation

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[4] CenterPoint Energy, General Rate Petition, pg. 3.

[5] Drehobl, Ariel & Ross, Lauren, *Lifting the High Energy Burden in America's Largest Cities: How Energy Efficiency Can Improve Low Income and Underserved Communities* (Apr. 2016), American Council for an Energy Efficient Economy, *available at* https://www.aceee.org/sites/default/files/publications/researchreports/u1602.pdf.

Improvement Program (CIP) funds are denied the opportunity to reduce their energy use and costs. Without an additional program currently available in the Minneapolis marketplace, many low and moderate income residents have no alternative to higher costs and higher energy burdens.

Utilities need to scale their Energy Efficiency programs by serving more residents. The Minneapolis Climate Action Plan has set goals to help 75 percent of Minneapolis homeowners participate in whole-house efficiency retrofit programs by 2025, ensuring the distribution reflects the current percentage of low and moderate income home ownership in the city and to help 75 percent of Minneapolis renters and rental property owners participate in efficiency retrofit programs by 2025, with a distribution that reflects the current percentage of low and moderate income rental housing in the City

Broad support exists today for Inclusive Financing as evidenced by the Clean Energy Partnership resolution on September 16, 2019 to support implementation of an Inclusive Financing program, pending commission approval, with a tentative launch date of 2021. The Pay As You Save (PAYS®) Inclusive Financing Model was chosen based on its ability to meet the criteria of the Partnership board motion, and the intervention in this rate case created the most timely pathway for approval to meet the launch date of 2021. No other pathway that was considered would have achieved these goals.

Additionally, current programs for energy efficiency retrofits are not meeting the City's Environmental justice goals to prioritize sustainable practices and renewable resources to equitably address climate change while restoring and protecting our soil, water and air. According to a recent Washington Post article,[6] the typical black family in Minneapolis earns only 44% as much as the typical white one. Black families also have a homeownership rate of 25%, which is one of the lowest in the country while white families have one of the highest at 76%. Existing energy retrofit programs mainly focus on home and property owners leaving out up to 75% of black families in Minneapolis who are not property owners. Not developing a program that can meet the needs of black, indigenous, people of color (BIPOC) is subjecting them to systemic racism in regards to the offerings of current efficiency programs.

Q: Is there anything else you would like the Commission to consider regarding the City's interest in the general rate case at this time?

A: The City of Minneapolis understands the need of utilities to pursue cost increases when the cost of delivering energy services increases. However, with COVID-19 and related economic hardships causing so much pain for so many people, this is not the time for a dramatic increase in energy costs. The City respectfully asks the Commission to carefully examine the Company's request for this rate increase to determine if it is necessary, particularly the proposed increase in fixed charges. While customers have some control over variable energy costs, they have no way to control fixed charges. It is widely considered a best practice to maintain lower monthly fixed charges to decrease the financial hardship associated with energy service.

[6] Ingraham, Christopher, *Racial Inequality in Minneapolis is among the worst in the Nation*, Washington Post, (May 30, 2020, 9:04 AM), https://www.washingtonpost.com/business/2020/05/30/minneapolis-racial-inequality/.

III. INCLUSIVE FINANCING TARIFF

Q: Please describe your testimony regarding the inclusive financing tariff.

A: The primary purpose of my testimony is to provide additional information in support the City of Minneapolis's proposed energy efficiency inclusive financing pilot program. Inclusive financing allows a utility to invest directly in resource efficiency upgrades on the customer side of the meter regardless of the customers' income, credit score or renter/owner status.

In this case, the City of Minneapolis seeks permission to utilize the PAYS® tariff model that: (1) treats energy efficiency investments by utilities on the customers' side of the meter as an essential utility service; (2) is structured to be able to serve low- and moderate-income customers and renters who have not been able or do not otherwise qualify to participate in previous programs; (3) uses a proven system that to date has served over 5,000 customers in eight states, had customers at upgraded locations repay the utilities for the bulk of their investments with a tariffed charge on the participants' utility bills that is significantly lower than their annual savings; and (4) results in average utility tariff charge collection rate of more than 99.9%, and though payments are "secured" by disconnection for non-payment, the same as all other essential service charges, there has been no report of a disconnection for non-payment by a participant or successor customer at a PAYS®-upgraded location.

Q: Who else will be presenting testimony on behalf of the City regarding inclusive financing and what key information will they be presenting?

A: Tammy Agard will be presenting from EEtility, Inc. as a third party administrator of three PAYS® inclusive financing programs for utilities across the country. As noted in her Testimony, by mid-September of 2020, EEtility will launch a $5 million PAYS® program for Georgia Power in the cities of Athens and Atlanta. Pending expected final Commission approval, EEtility will launch at least a $15 million two year PAYS® program for Ameren Missouri in January of 2021 in the City of St. Louis. EEtility is actively in mid-stage discussions with six additional investor owned utilities and two large municipalities representing five additional states. She will discuss the PAYS® program and how it works in practice. She will also discuss the Cadmus report, Tariffed On-Bill Financing Feasibility,[7] and comment on its findings.

Q: Have other Commissions approved this type of tariff? Please explain.

A: Yes. Six other Commissions from Hawaii to New Hampshire have approved similar tariff. (Schedule A3)

Q: Why are you seeking the Commission's approval of a PAYS® tariff?

A: The City seeks to advance a program that: (1) improves the quality of life and health of residents through investing in energy savings measures that increase home comfort, improve indoor air quality and reduce costs for energy-burdened residents; (2) works for the majority of low and moderate income home owners and renters when no other program exists; and (3) has a track record of successfully serving over 5,000 households

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[7] The Cadmus Group, *Tariffed On-Bill Financing Feasibility: Assessment of Innovative Financing Structures for Minnesota* (Aug. 2019) *available at* http://energytransition.umn.edu/wp-content/uploads/2019/08/Minnesota-TOB-Financing-FINAL_AH-1.pdf

without a single disconnection for non-payment. A co-benefit of these energy savings will also help achieve the City of Minneapolis and State of Minnesota's GHG emission reductions of 30% by 2025 and 80% by 2050. There are also numerous city and state goals which call out for an inclusive financing type program available without regard to credit score, access to capital or ownership status, including, but not limited to: (1) The City's Climate Action Plan, (2) the One Minnesota Executive Order, which states that "[o]ur state must be a leader in ensuring that everyone has an opportunity to thrive.[8] (3) The City of Minneapolis Racial Equity Ordinance; [9] and (4) the Minnesota Next Generation Energy Act of 2007.[10]

Q: Please state why you seek approval for the pilot program in the City of Minneapolis specifically.

A: There are three reasons. First, only the Minnesota Public Utilities Commission has state authority to approve a PAYS® tariff. And in the City's opinion, this is the only cost effective way to weatherize the homes of all city residents, including lower and moderate-income renters, homeowners, and landlords.

Second, the City of Minneapolis is uniquely burdened by an abundance of aging and poorly insulated housing stock. Approximately 65% of the City's homes were built

[8] State of Minnesota Governor's Executive Order 19-01 (Jan. 19, 2019).

[9] Minneapolis City Ordinance, § 21.10.

[10] Minn. Stat. § 216H.02.

before 1960 when no insulation was required.[11]

Third, an increasing percentage of homes being turned into rentals make many retrofitting programs inaccessible to many renters. In 2018, there were 187,553 housing units in Minneapolis, with single-family comprising 45% of those units.[12] But there is a trend in many Minneapolis neighborhoods where much of the single family housing is becoming rental. Between 2008 and 2015, the American Community Survey showed that the city's share of renter households grew from 49% to 53%.[13]

Residents in North Minneapolis, where much of the oldest and least-weatherized housing is located, also are more likely to be renters now then prior to the Great Recession. For example, between 2000 and 2015, Folwell neighborhood went from 23 percent to 53 percent renter-occupied; likewise, Jordan neighborhood, went from 40 percent renter-occupied to 53 percent renter-occupied.[14] In comparison, the Lynnhurst neighborhood near the shores of Lake Harriet has not seen a change in their share of renters remaining at 11% during the last 15 years. [15] Therefore, it is clear that the City of

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11 US Census Bureau, *American Community Survey* (2010-2012), *available at* https://www.governing.com/gov-data/transportation-infrastructure/age-year-built-for-homes-in-cities.html (last accessed July 13, 2020).

12 U.S. Census Bureau (2018). *American Community Survey 1-year estimates*. (2018), *available at* http://censusreporter.org/profiles/16000US2743000-minneapolis-mn/ (last accessed July 15, 2020).

13 *Id.*

14 *Id.*

15 Kaul, Greta, *A majority of Minneapolis' households now rent their homes*, MINNPOST (Mar. 6, 2019), *available at* https://www.minnpost.com/metro/2019/03/a-majority-of-minneapolis-households-now-rent-their-homes/ (last accessed July 15, 2020).

Minneapolis needs a program for renters in single family homes and apartments that provides an opportunity to make energy efficiency improvements.

In many cases, there is also a split incentive between rental households who receive the savings and building owners who have to pay for most energy efficiency improvements. This split incentive inhibits improvements to rental housing.

Inclusive financing is one way to address the split incentive and the increased natural gas rates through energy efficiency, making the home more affordable, comfortable and reducing greenhouse gas emissions and improving air quality. If residents have no access to capital or programs that reduce energy use they are condemned to have to pay ever increasing energy bills.

Currently, the rebate and financing of energy efficiency upgrades goes disproportionately to white higher income residents. This program will address the racial and economic disparities by not requiring personal loans, credit checks, up front capital and ownership to make improvements that save money and energy.

Q: Do you have concerns that the tariff you are requesting involves a trademarked system?

A: No. The developers of the PAYS® system trademarked the name, Pay As You Save® and PAYS® to ensure that anyone could use the trademark to make clear what the recommended programs are. The list of the essential elements and minimum program requirements of the PAYS® system appears as Schedule B2 of Tammy Agard's Testimony. The City's expert witness, Tammy Agard, as EEtility's Chief Executive Officer, will explain the system in much more detail during her testimony. The developers of the PAYS® system have never charged a utility for the use of its trademarks as long as the utility's program adheres to the essential elements and minimum program requirements

Q: Is the City requesting anything else from this Commission?

A: The City of Minneapolis respectfully requests the Commission approve the proposed tariff as an essential utility service. The City also requests approval of an initial scale of the Company's investment of up to $50 million in the City of Minneapolis pilot over three years scaling up the program over the project term as follows: (1) Year 1: Up to $10 million; (2) Year 2: up to $20 million; (3) Year 3: up to $20 million, subject to capital constraints. Finally, the City proposes to prioritize Green Zone neighborhoods, high gas users and those who have a high energy burden with 25% of the funding, targeting Green Zone residents and renters who pay their energy bills as implemented in the program rules and guidelines.

Q: Could you explain in more detail why the City thinks an investment of $50 million over three years, albeit an investment that will be repaid by participants, is warranted?

A: There are several reasons for this:

1. The City has set a serious goal of weatherizing 75% of Minneapolis homes by 2025, five years from now. This goal is supported by past and current mayors, City Council members, the Clean Energy Partnership, as well as dozens of other organizations who helped develop and implement of the Climate Action Plan.
2. To achieve this goal, at least 10,000 homes would need to be weatherized per year beginning in 2021.

3. The proposed program assumes that 10,000 homes would be weatherized over the next three years. This is the minimum the City requests that the Commission approve, and we would welcome the order to allow for more than that number so that we can make greater progress toward meeting the City's goal.
4. The proven success of the PAYS® system over the past 20 years in every location it has been implemented shows that a small, experimental pilot is neither required nor necessary.
5. There is little risk involved with a PAYS® program. Savings are based on solid analysis of each home, trued up with each home's billing history and screened for anomalous results, so participants can be confident that they will save more than they pay in on-bill charges.
6. There is little risk to implementing PAYS®. Projects only happen if the proposed upgrades can pass the 80% rule. So if there are no cost effective projects, there will be no upgrades. And for all installed upgrades, the utility recovers most if not all of its investment through on-bill charges to participants – utilities have averaged a 99.9% collection rate for PAYS® charges – higher than for all their other charges. There is little risk to participants, to utilities, and to ratepayers.
7. EEtility has indicated that they can do 2,000 homes in the first year and up to 4,000 homes in each succeeding year.
8. We believe this is a reasonable request and significant enough to make real progress toward the City's climate goals.

Q: Is there anything else you would like the Commission to know about inclusive financing?

A: I would like to thank the commission members and staff for their interest in our testimony and for considering a new way to for many people to mitigate their increasing energy costs through energy efficiency measures that improve quality of life, save money, save energy and reduce carbon emission.

The City has spent the last two years working on the inclusive financing strategy for Minneapolis rate payers. Starting with our first discussions over two years ago with Dr. Holmes Hummel to our unanimous support from members of the Clean Energy Partnership last year, the City has persistently advocated for this program because it believes the program will offer many benefits not available through the current energy efficiency offerings. With the successful piloting in Minneapolis we hope this will soon be available to all rate payers in the CenterPoint Energy territory.

Q: Does this conclude your direct testimony?

A: Yes.

Schedule A1

Schedule A1

Schedule A1

Kim W. Havey, AICP, LEED AP
(He/Him/His)
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Minneapolis MN 55404
612-673-3666 Kim.Havey@Minneapolismn.gov

Professional Summary
Senior leadership executive with 20+ years of sustainability and renewable energy expertise in the public and private sector.

Core Qualifications

Renewable Energy	Sustainability
Executive leadership	Financial management
Communications	Partnership development
Community engagement	Strategic planning

Relevant Experience

2018 – Present **City of Minneapolis**
Director of Sustainability
Minneapolis, MN

Lead the City's Sustainability Division on the implementation of Climate Action Plan, the Green Zone Environmental Justice work plans.

Provide staffing and strategic support for the Clean Energy Partnership, Energy Vision Advisory Committee, Food Council and Community Environmental Commission. Developed and led the approval of the city's first comprehensive residential energy disclosure ordinance.

Manage a $3 million budget that funds the City's Green Cost Share Program, Green Affordable Housing, sustainable building policy, food action plan, passive deep winter green houses, Home Energy squad visits and zero percent financing.

Provide leadership on MPUC dockets and legislation for an advanced energy standard/stretch code.

Secured more than $3.5 million in grant funds over the last two years through the Bloomberg Philanthropies American cities climate challenge, McKnight foundation, Energy Foundation and Summit foundation.

Provide communications and outreach in support for program and policies related to sustainability, resilience, adaptability and long-range planning.

2013 – Present **Minnesota Department of Commerce**
State Energy Office Program Coordinator
St. Paul, MN

Provide policy guidance on the implementation of community solar garden legislation and the value of solar tariff. Draft policy and perform analysis for the statewide comprehensive sustainability plan known as Climate Solutions and Economic Opportunities (CSEO). Assist in the design and review of renewable energy financing programs such as REV IT UP, PACE and GESP representing more than $50 million in new energy investments statewide.

Coordinate the monitoring and development of utility based solar incentive programs.

Drafted and secured a US Department of Energy (US DOE) funded state low-income solar action plan grant. Manage the development, implementation and monitoring of the grant know as Connecting Low Income Consumers to Efficiency and Renewable Sources (CLICERS). Manage a 60 member stakeholder advisory committee process.

Establish, implement and monitor quantitative and qualitative goals for the Made in Minnesota (MIM) Solar Incentive Program, one of the largest solar incentive programs in the USA. The program invested nearly $60 million in over 1,800 rooftop solar PV projects representing more than 25 MW of new solar capacity in 52 Minnesota counties.

Assess the need and manage the implementation of new programs such as the Made in Minnesota Solar Incentive Program and the Healthy Asbestos Insulation Remediation (AIR) grant program including the development of new policies, rules and regulations.

2004-2013 **Sustology**
Co-Founder and Principal
Minneapolis, MN

Co-Founder and Principal of a sustainability consulting firm that LEED certified more than 2.5 million square feet of commercial space. Assisted corporate leaders on climate change mitigation strategies and adaptations. Provide counsel on cutting edge environmental and sustainability practices. Lead the planning for implementation of solar energy systems, energy efficiency upgrades, leadership in energy and environmental design (LEED) certification, green infrastructure, government and philanthropic grant writing and corporate sustainability planning and reporting. Supervised a staff of professionals and consultants. Managed the development of commercial energy audits, maintenance work plans, life-cycle equipment schedules and performance standards.

1999 – 2004

City of Minneapolis
Director of Federal Empowerment Zone
Minneapolis, MN

Led a 30-member board of elected officials and community representatives responsible for investing $36-million in federal and state funds leveraging more than $100 million in private funding. Developed two community wide strategic plans to guide the program. Collaborated with Prepared requests for proposals and managed over 40 separate contracts to implement an innovative strategic plan to create wealth and reduce poverty throughout the zone. Supervised a staff of four and numerous consultants. Manage the master planning contract for the redevelopment of Heritage Park, a $250-million - 140-acre mixed income housing development utilizing new techniques for energy efficiency, green space development and storm water retention.

Education
University of Minnesota Humphrey Institute of Public Affairs - Master of Urban and Regional Planning
University of Wisconsin, Madison - Bachelor of Business Administration, Real Estate, Finance and Investment

Accreditations and Affiliations
American Institute of Certified Planners (AICP), USGBC LEED Accredited Professional (LEED AP), Carbon Neutral Cities Alliance (CNCA), Urban Sustainability Directors Network (USDN) and the Minneapolis Food Council.

Schedule A2

Schedule A2

Schedule A2

Energy Efficiency Inclusive Financing Tariff

based on the Pay As You Save® (PAYS®) Model Tariff

1 **Eligibility:** Eligible on an optional and voluntary basis to any residential customer who takes service under any rate schedule for energy efficiency improvements (upgrades) where the utility provides gas service to the structure. The utility must ensure that customers who are interested in participating are notified that if they are income qualified, they may also be eligible for free energy improvements through other programs and provide contact information.

2 **Participation:** To participate in the Program, a customer must: 1) request from the utility an analysis of cost-effective upgrades; and 2) sign the Efficiency Upgrade Agreement, which defines customer benefits and obligations; and 3) implement any project that does not require an upfront payment from the customer as described in Section 3.3.

2.1 **Ownership**: If the customer is not the building owner, the building owner must sign an Owner Agreement, agreeing to not remove or damage the upgrades, to maintain them, and to provide notice of the benefits and obligations associated with the upgrades at the location to the next owner or customer before the sale or rental of the property.

2.2 **Notice**: The owner must agree as part of the Efficiency Upgrade Agreement (if the owner is the customer) or Owner Agreement to have a Notice attached to their property records. Failure to obtain the signature on the Notice Form of a successor customer who is renting, indicating that the successor customer received notice, will constitute the owner's acceptance of consequential damages and permission for a tenant to break their lease or rental agreement without penalty.

3 **Energy Efficiency Plans:** The utility or its Program Operator will perform a cost-effectiveness analysis and prepare an Energy Efficiency Plan (Plan) identifying recommended upgrades to improve energy efficiency and lower energy costs.

3.1 **Incentive Payment:** The utility may reduce the upgrade cost with an incentive payment for program participation that is less than or equal to the value of the upgrades to the utility or a rebate that is available to any customer who installs a specific improvement.

3.2 **Net Savings:** Recommended upgrades shall be limited to those where the annual Program Service Charges (Service Charges), including program fees and the utility's charges, are no greater than 80% of the estimated annual savings to a participating customer based on current retail rates for gas and electricity.

3.3 **Copay Option:** In order to qualify a project that is not cost effective for the Program, customers may agree to pay the portion of a project's cost that prevents it from qualifying for the Program as an upfront payment to the contractor. The utility will assume no responsibility for such upfront payments to the contractor.

3.4 **Cost-Effectiveness Analysis Fee**: If the utility incurs costs for the cost effectiveness analysis at a location where a customer declines to install upgrades identified in an Energy Efficiency Plan that does not require a copay, the utility will recover all or a portion of those costs from another program that provides customers with subsidies for home energy assessments, if available.

3.5 **Existing Buildings:** Projects that address upgrades to existing buildings deemed unlikely to be habitable or to serve their intended purpose for the duration of utility cost recovery will not be approved unless other funding can affect necessary repairs. If a building is a manufactured home, it must be built on a permanent foundation and fabricated after 1982 to be eligible.

4 **Approved Program Operator:** Utility may operate the program directly with its own staff

resources or hire an experienced Program Operator to implement the program.

5 **Approved Contractor**: Should the customer decide to proceed with implementing the Plan, the utility shall determine the appropriate monthly Service Charge as described in Section 7. The customer shall sign the Agreement and select a contractor from the utility's list of approved contractors.

6 **Quality Assurance:** When the energy efficiency upgrades are completed, the contractor shall be paid by the utility, following on-site or telephone inspection and approval of the installation by the utility or its Program Operator.

7 **Program Services Charge:** The utility will recover the costs for its investments including any fees as allowed in this tariff through a fixed monthly Service Charge assigned to the location where upgrades are installed and paid by customers occupying that location until all utility costs have been recovered. Service Charges will also be set for a duration not to exceed 80% of the estimated 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. The Service Charges and duration of payments will be included in the Efficiency Upgrade Agreement.

7.1 **Cost Recovery:** No sooner than 45 days after approval by the utility or its Program Operator, the customer shall be billed the monthly Service Charge as determined by the utility. The utility will bill and collect Service Charges until cost recovery is complete, except in cases described in Section 8. Prepayment of unbilled charges will not be permitted. This facilitates installed upgrades remaining and continuing to function at the location for at least the duration of cost recovery.

7.2 **Eligible Upgrades**: All upgrades must have Energy Star certification, if applicable. The utility may seek to negotiate extended warranties with contractors or equipment upgrades with suppliers to minimize the risk of upgrade failure on behalf of all customers.

7.3 **Ownership of Upgrades:** During the period of time when Service Charges are billed to customers at locations where upgrades have been installed, the utility will retain ownership of the upgrades. Upon termination of the Service Charge, ownership will be transferred to the building owner.

7.4 **Maintenance of Upgrades**: Participating customers and building owners (if the customer is not the building owner) must agree, when signing the Efficiency Upgrade Agreement or the Owner Agreement, to keep the upgrades in place for the duration of Service Charges, to maintain the upgrades per manufacturers' instructions, and report the failure of any upgrades to the Program Operator or utility as soon as possible. If an upgrade fails, the utility is responsible for determining its cause and for repairing the equipment in a timely manner as long as the owner, customer, or occupants did not damage the upgrades, in which case they will reimburse the utility as described in Section 8.

7.5 **Termination of Service Charge:** Once the utility's costs for upgrades at a location have been recovered, including the cost of capital, the cost paid to the contractor to perform the work, costs for any repairs made to the upgrades as described in Section 8, the monthly Service Charge shall no longer be billed, except as described in Sections 7.7 and 8.

7.6 **Vacancy**: If a location at which upgrades have been installed becomes vacant for any reason and gas service is disconnected, Service Charges will be suspended until a successor customer takes occupancy. If a building owner maintains gas service at the location, the building owner will be billed Service Charges as part of any charges it incurs while service is turned on.

7.7 **Extension of Program Charge:** If the monthly Service Charge is reduced or suspended for any reason, once repairs have been successfully effected or service reconnected, the number of total monthly payments shall be extended until the Service Charges collected equal the utility's cost for installation as described in Section 7, including costs associated with repairs, deferred payments, and missed payments as long as the current occupant is still benefitting from the upgrades.

7.8 **Tied to the Location:** Until cost recovery for upgrades at a location is complete or the upgrades fail as described in Section 8, the terms of this tariff shall be binding on the metered structure or facility and any future customer who shall receive service at that location.

7.9 **Disconnection for Non-Payment:** Without regard to any other Commission or utility rules or policies, the Service Charges shall be considered an essential part of the customer's bill for gas service, and the utility may disconnect the metered structure for non-payment of Service Charges under the same provisions as for any other service. If service is disconnected for customers on pre-paid payment plans, Service Charges will be pro-rated by the day.

8 **Repairs:** Should, at any future time during the billing of Service Charges, the utility determine that the installed upgrades are no longer functioning as intended and that the occupant, or building owner if different, did not damage or fail to maintain the upgrades in place, the utility shall reduce or suspend the Service Charges until such time as the utility and/or its contractor can repair the upgrades. If the upgrades cannot be repaired or replaced cost effectively, the utility will waive remaining charges.

If the utility determines the occupant, or building owner if different, did damage or failed to maintain the upgrades in place as described in Section 7.4, it will seek to recover all costs associated with the installation, including any fees and legal fees, and it may seek to recover incentives paid to lower project costs.

The Service Charges will continue until utility cost recovery is complete as long as the upgrades continue to function.

8.1 **Monitoring and Evaluation:** The utility or its Program Operator will compare each participant's post-installation actual annual savings to estimated annual savings at least once for each location. If any instances are identified where actual savings are below 80% of the location's estimated savings, the utility or its Program Operator will investigate to identify the cause and take appropriate action including those described in Section 8 above or enforcing agreements with contractors, manufacturers, or participating customers.

Schedule A3

Schedule A3

Schedule A3

Public Utilities Commission Orders on Pay As You Save®
June 2020

Six states, New Hampshire, Kansas, Kentucky, Hawaii, Arkansas and Missouri, have authorized PAYS® Tariffs. All were for regulated utilities. Here is a list of the attached orders, noting highlights. Copies of these orders are available at:
http://www.eeivt.com/commission-orders-establishing-pays-precedents/
If any links to these orders are "broken", please contact EEI and we will send you PDF copies of the orders.

New Hampshire:

Order 23,574 page 18 Section G discussion of Pay As You Save® (PAYS®) and why it should be considered
Order 23,758 was the order in which the NHPUC ruled it had the power to have charges run with the meter and disconnect for non-payment
Order 23,851 was the NHPUC's approval of the Pilots prepared by the Energy Efficiency Institute, Inc. and filed by two utilities, New Hampshire Public Service (now Eversource) and New Hampshire Electric Cooperative
Order 24,417 required both utilities to continue offering PAYS over their and other NH utilities' objections

Kansas
The Kansas Corporations Commission first ruled on 8/16/07 in Dockets No. 07-MDWG-784-TAR and 07-MDWE-788-TAR its approval of MidWest Energy's filing of a PAYS tariff How$Smart Aproval.pdf
On December 20, 2007, the KCC reconsidered its 8/16/07 order and reapproved its decision to authorize Midwest Energy to offer a PAYS Tariff with Disconnection for Non Payment. KCC-Reconsideration.pdf

Kentucky
On December 16, 2010, the Kentucky Public Service Commission in Case No. 2010-00089 approved the application by four cooperative utilities to work with the Mountain Association for Community Economic Development (MACED) to operate programs under a new Kentucky Energy Retrofit Rider (KER). The order contains a detailed explanation of this tariffed on-bill program and notes it is modeled on Midwest Energy's How$mart™ program in Kansas. In a subsequent order in Case NO. 2012-00484, on August 26, 2013, approved the KER Rider on a permanent basis and detailed the information to be filed with the Commission each year by each participating cooperative utility.

Hawaii
Inasmuch as the Commission was ordered by State Statute to implement PAYS® the Commission's anger at being forced to implement the tariff may be understandable and does not offer much. However, in its October 24, 2006 order 22974, it does cite its authority to implement PAYS instead of just citing its obligation under state law. In its June 29, 2007 Order No. 23531 (Doc38.pdf), the Commission's anger at being forced to implement these programs are revealed in its illogical order. However, there is one important statement on page 35. The Commission actually states disconnection for non-payment is sound public policy:

Indeed, by paying for the SWH system on their utility bills, the participating customers are effectively paying for electricity because the SWH systems result in electricity savings. Therefore, the commission finds that the disconnection of service for non-payment of the SWH system charges results in sound public policy.

Arkansas

On February 8, 2016, the Arkansas Public Service Commission, approved Ouachita Electric Cooperative Corporation's request to replace its loan program (HELP) and create a HELP PAYS® offer to its customers. The Commission accepted Ouachita's differentiation of a tariffed on-bill program and its advantages over a loan program and wrote, "...Commission finds that Ouachita's "Pay As You Save®" Optional On-Bill Program, as amended on December 10, 2015, presents an innovative approach to achieving significant energy efficiency improvements in hard-to-reach segments of Ouachita's member-owner base." The Commission recognized and used the registered trademark when approving the most recent iteration of the PAYS® system.

Missouri

On December 11, 2019, in File No. EO 2019-0132, the Missouri Public Service Commission ordered that its approval of Evergy Missouri Metro's and Evergy Missouri West's (formerly Kansas City Power & Light) Missouri Energy Efficiency Investment Act [MEEIA] programs was contingent on the companies implementing a one-year PAYS pilot program of not less than $10 million or more than $15 million [p. 26]. If Evergy utilities implement a PAYS pilot as ordered, it will be the first new investor-owned utility PAYS program since Hawaii's 2004 Solar Saver Program