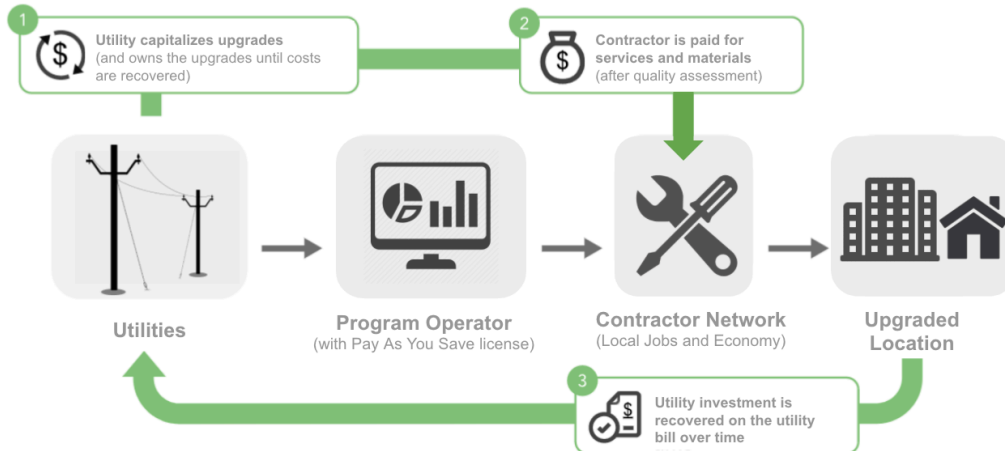


# Inclusive Utility Investment with Pay As You Save®

A proven system for building energy upgrades  
where communities are seeking equitable solutions



## What is Pay As You Save®?

Any utility can exercise its tariff authority to implement an inclusive upgrade program

Pay As You Save is an Inclusive Utility Investment system, developed by the [Energy Efficiency Institute, Inc.](#) in 1999, that couples site-specific utility investment in energy upgrades on the customer-side of the meter, with site-specific cost recovery through a charge on the bill that is less than the estimated savings.

Pay As You Save programs are inclusive because eligibility does not depend on criteria such as income, credit score, or home-ownership status. In a Pay As You Save program, the utility investment is based on the potential energy savings and grid resource value at the location, rather than creditworthiness of the occupant. The utility recovers its investment plus its cost of capital through a tariffed charge (a fixed charge tied to the location) on the customer's monthly bill, securing its investment in the same way as other essential utility services. The annual cost-recovery is set at 80% of the estimated savings so customers enjoy immediate positive cashflow. Unlike loan or rebate programs, a Pay As You Save program allows a utility to cost-effectively deliver energy services to hard-to-reach customers including rental, rural, and LMI populations including the more than 50% of households and 40% of small businesses that rent, lack access to capital or credit.

In 20 years of field experience across 23 utilities in 11 states, energy upgrade programs using Pay As You Save have reported participant acceptance rates of 50%-90% with higher average capital investment per site compared to on-bill loans, while recovering an average of 99.9% of invested capital to date.

Upgrades have produced a net present value of >\$3,000 for a rural electric cooperative distribution utility.<sup>1</sup> Meanwhile, regulators in Missouri have approved agreements for investor owned utilities such as Ameren, to earn the equivalent to their weighted average cost of capital with approximately half recovered from participants and the remainder from the rate-base.<sup>2</sup>

## \$44M

**Invested**

In cost effective  
upgrades

## 4,500

**Residential Units**

Upgraded

## 590

**Multi-**

**family Facilities**  
Benefiting renters and  
owners

## 700

**MUSH**  
Municipal,  
educational, and  
industrial facilities

## 20

**Utilities**  
With active programs  
Including IOUs,  
Munis, and Coops

## 10

**States**  
With active programs  
(AR, CA, GA, KS, KY,  
MO, NC, NH, TN, and  
VA)

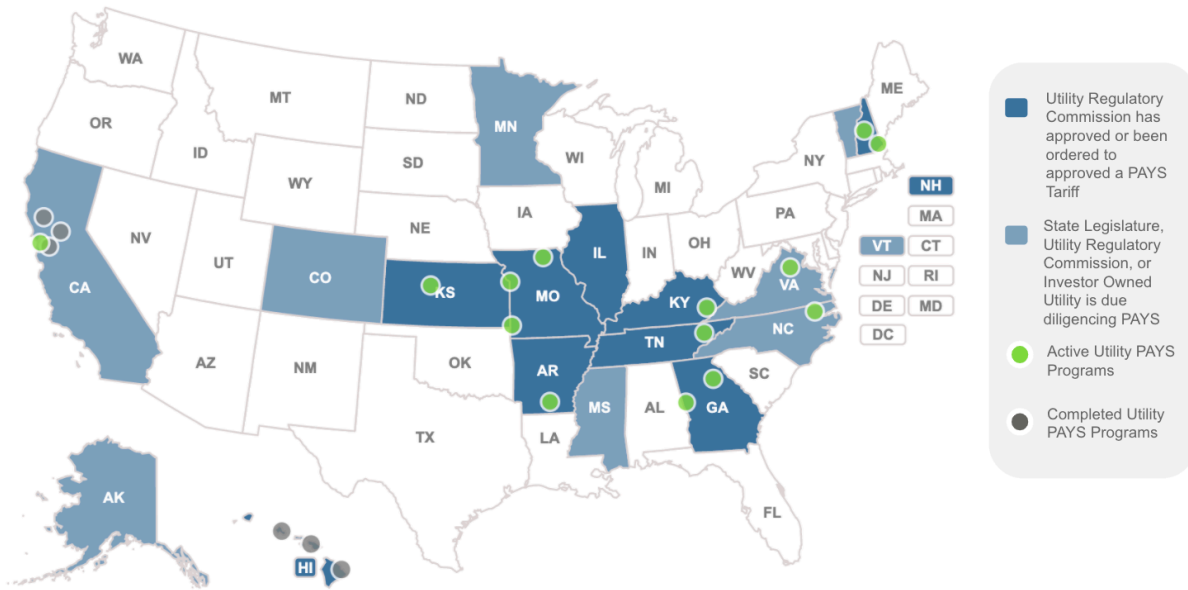
## >99.9%

**Recovery Rate**

For all projects to date

<sup>1</sup> Bickel et al. (2020). "Utility Value of a Pay As You Save® Energy Efficiency Program"; <sup>2</sup> MPSC Order Approving Stipulation and Agreements, File No.EO-2018-0211.

Inclusive Utility Investment via Pay As You Save® as of 2022



## Utility Benefits

- **Multiple Grid Services.** System demand reduction, peak load reduction, expanded demand response resources, and beneficial electrification
- **No Free Riders.** Participants pay for 100% of the upgrade cost using their energy savings
- **Not a Loan.** A Pay As You Save utility capital investment is not subject to consumer lending law compliance and avoids complexity, inequity, and market barriers like high first-cost, and credit checks
- **High Customer Satisfaction.** Customers see improved energy affordability, home health, and comfort
- **Regulator Friendly.** Regulators have approved Pay As You Save programs in AR, GA, HI, KS, KY, MO, and NH where needed (munis and coops may not need Commission approval)

## Customer & Community Benefits

- **Get Energy Upgrades.** With no upfront cost, credit check, personal debt, lien, or financial obligations when relocating
- **Immediate Positive Cash Flow.** Sets annual cost-recovery at no more than 75% of estimated savings
- **Improved Home Health and Value.** Homes are more comfortable and have higher asset value
- **Enhanced Equity.** Can be structured to prioritize high energy burden customers with high energy savings potential
- **Stimulates Local Economy.** The millions of dollars in capital investment go right into the local economy through contractors, local workforce, and local suppliers and distributors

## How Do Utilities Implement Pay As You Save®

Standing up a Pay As You Save program can be done in 5 months when using a proven program operator and completing some steps concurrently.

### Additional resources:

- [Utility Guide to Tariffed On Bill Investment](#)
- [EEI Model Pay As You Save Tariff](#)
- [DOE Low Income Energy Efficiency Financing Through On-Bill Tariff Program](#)

