Docket DE 04-052
Summary of Response Testimony of Paul A. Cillo; PAYS America, Inc.
on behalf of The New Hampshire Public Interest Research Group
September 17, 2004

In his response testimony, Mr. Cillo first reintroduces himself and explains that the purpose of his response testimony is to "…respond to certain assertions made by witnesses for the utilities and the Staff in their direct testimonies in this docket."

Mr. Cillo begins by examining the utilities' rationale for their recommendations. None of the utilities reasons address the Commission's and the legislature's stated goals for efficiency programs: achieving all cost-effective energy efficiency, reducing reliance on subsidies, and shifting to a more market-based approach to energy efficiency. Mr. Cillo asserts here and explains in his response testimony that the utilities' proposed pilot designs reflect the lack of an intention to achieve these goals. He compares this to NHPIRG's proposal that is designed to accomplish these goals and enumerates the benefits of enhancing the marketplace for efficiency measures and better utilization of system benefit funds (SBC).

Mr. Cillo next describes what NHPIRG sees as the Commission's choice in this Docket:

- Either re-commit to the current program model that relies on large subsidies and utility administration, or
- Move to more market-based programs that eliminate the reliance on rebates as customer incentives and that minimize the need to use ratepayer funds.

After enumerating six areas where there is no disagreement between the utilities' and NHPIRG's position, Mr. Cillo explains NHPIRG's disagreement with GSEC's and Unitil's proposals to add on-the-bill financing in lieu of offering PAYS® to customers who are not buying efficiency measures because of the up-front costs. Mr. Cillo explains how these two utilities' proposals will not address the needs of all hard to reach customers. More importantly, Mr. Cillo points out that these utilities' proposal is a step backward in that less efficiency will result with their proposed program modification than would result from just continuing their CORE programs without alteration. He raises a concern that these types of programs may actually spend more SBC funds on the programs than it would cost these utilities to just pay the entire cost of installing targeted measures for their customers.

Mr. Cillo next discusses the disagreement between the parties on how rebates should be calculated. He explains how NHPIRG wants to make the same subsidy offer to all customers eligible for PAYS®, whether or not they use PAYS®: the amount of subsidy necessary to qualify their project as a PAYS® product. He points out that this approach can achieve the same, or greater, customer participation and energy savings with less ratepayer funding, and by ending the use of financial subsidies as incentives to encourage customers to purchase measures, will free up more funding for efficiency. Mr. Cillo suggests that the only way to know for sure whether that approach will work is to implement the type of test proposed by NHPIRG.

He next addresses the utilities' concerns with NHPIRG's proposed system for calculating rebates. First, he discusses the modest additional time and cost of calculating rebates for each customer and points out that the saving 70% of the cost of rebates outweighs this expenditure.

Next, Mr. Cillo discusses the equity implications of NHPIRG's proposal and points out how it realizes greater equity than the current method of determining rebates because more customers who are paying for these programs can participate, the savings realized from reducing rebates will be used to achieve more savings and greater system benefits, and all customers will have the same offer of the amount of SBC funding required to assure them they receive net savings equal to one-third of the amount they pay for their projects.

Mr. Cillo concludes this section of his testimony by pointing out that NHPIRG's proposal for calculating rebates is essential if the Commission really wants to find out if it is possible to transition from a reliance on subsidies. He argues that unless we test whether another approach will work without subsidies, we will have no other option but to rely on them. Mr. Cillo discusses how continued reliance on subsidies used as the incentive for customers to purchase measures will prevent self-sustaining programs (i.e., those that do not require SBC funds) and how only NHPIRG's proposal has the potential to result in true, self-sustaining programs.

Mr. Cillo next discusses the issue of leveraging. He points out, as he did in his direct testimony, that the utility concerns with NHPIRG's proposal do not seem credible. He highlights the disparity of bad debt PSNH achieved during its pilots, PSNH's average bad debt, and the bad debt experienced by GSEC's loan program, which does not include a tariff to ensure collection. He points out that there is no basis for assuming customers with lower bills will cause bad debt 100 times greater than PSNH's traditional bad debt, and 310 times that of NHEC's bad debt in its pilot to date. He suggests that to eliminate the parties' concerns with leveraging, the Commission could order that future system benefit funds be used to cover any bad debt in excess of the guarantee fund as long as the utilities run their pilots properly. Mr. Cillo points out that the reason for leveraging is to achieve more than twice the investment by customers in efficiency measures than is currently being realized with the CORE programs.

Mr. Cillo next address the utilities concern with the trademark. He points out that since all parties agree the utilities will not use the PAYS® trademark in the name of their programs, their stated concerns are moot. Mr. Cillo then enumerates all the reasons why the Commission should use the trademark in its order: to ensure that all utilities implement programs where participants are assured they will personally benefit from their efficiency investments (savings are greater than payments and payments are made only while the customer remains at the location) and that SBC funds are not wasted on a less effective collection system.

Mr. Cillo addresses three issues with staff's direct testimony. He points out why utilities must be the borrower of leveraged funds, because otherwise no funds will be available for the extended pilot. He points out that staff's alternative to NHPIRG's proposal for calculating rebates will eliminate the opportunity for the Commission to test if the PAYS® system can be an effective alternative to the use of rebates, saving SBC funds, and providing the potential for self-sustaining program. And Mr. Cillo points out why NHPIRG could accept staff's proposal for a bad debt threshold which when reached would result in program suspension and an investigation. But he proposes a threshold of 10% or more, rather than 1.5%. On behalf of NHPIRG, Mr. Cillo states NHPIRG would accept a threshold of 10% or more.

After discussing the issue of the Department of Revenue Administration's mistaken treatment of PAYS® as a loan and NHPIRG's willingness to work with the Commission on a resolution and summarizing the benefits of NHPIRG's proposal, Mr. Cillo concludes his testimony with NHPIRG's appreciation for the opportunity to present its ideas to the Commission.