

Hayward Efficiency PAYS[®]

a Pay As You Save[®] (PAYS[®]) Pilot Program Concept

prepared for

**City of Hayward
Department of Public Works
Utilities and Environmental Services**

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Purpose of this Hayward Efficiency PAYS[®] Pilot¹ Concept Paper

This Concept Paper provides a high-level description of a tariffed on-bill resource efficiency pilot program that might be operated in the City of Hayward. This description includes:

- the target market and scale of a pilot program,
- potentially feasible measures,
- recommended program outreach and marketing,
- the roles and responsibilities of key program partners, and
- preliminary ideas about capital requirements and potential sources of financing.

By sketching out critical program elements, this Concept Paper is intended to focus discussion among the program partners about a Hayward Efficiency PAYS[®] pilot program with the goal of resolving key issues before a comprehensive Program Design is undertaken. For example, there is no way to finalize which program measures could be offered with no up-front cost until mechanisms to leverage rebates from other programs (e.g., the BayREN Multifamily program) have been established. Similarly, preliminary ideas about capital requirements in this Concept Paper will be refined as the target market and program measures are finalized.

The Concept Paper will be revised based on feedback from City of Hayward staff, the City's Sustainability Committee, and the City Council. Once accepted by the City, the Concept Paper will be expanded into a comprehensive Program Design which, pending City of Hayward approval, will serve as an Implementation Manual for Hayward Efficiency PAYS.

¹ While "Hayward Efficiency PAYS" is used throughout this Concept Paper, it has not been adopted as the program name. Before launching the MEO program for the pilot, a brand name needs to be identified and approved by Hayward.

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1. Executive Summary

The City of Hayward (Hayward) is working with the Sonoma County Regional Climate Protection Authority (RCPA) to design and implement a tariffed on-bill resource efficiency pilot program. The pilot's goal is to retrofit 2,000 multifamily housing units in Hayward with an array of resource efficiency measures that will help multifamily property owners reduce their water and energy use.

The RCPA leads the pilot's Design Team on behalf of Hayward and the Bay Area Regional Energy Network (BayREN), with funding provided to BayREN by the California Public Utilities Commission (CPUC). The purpose of the funding is to investigate the potential for energy savings, both direct and indirect, from tariffed on-bill programs operated by water utilities.

The pilot will be based on the Energy Efficiency Institute, Inc.'s (EEI's) Pay As You Save® (PAYS®) system. PAYS is a market-based system in which customers, vendors, and capital providers acting in their own interests produce unprecedented resource efficiency investment that is also in society's interest. The key to the success of the PAYS system is "an offer that works" – an offer that allows customers to purchase cost-effective measures with:

- no up-front payment, no new debt obligation, no credit checks, no liens;
- a guarantee that their monthly tariffed charge is lower than their estimated savings;
- the assurance they will pay only while they remain customers at the location;
- none of the typical risks associated with contracting for or installing measures; and
- a promise that failed measures will be repaired or the payment obligation will end.

The Hayward Efficiency PAYS® pilot will target multifamily buildings with:

- 20 or more units;
- master-metered water service and central water heating systems;
- primarily toilets that use 3.5 or more gallons per flush (gpf);
- higher than average per-unit water usage, and;
- property owners who express interest in installing energy- and water-saving measures without incurring undue risk or increasing their debt load.

This pilot concept has already stimulated interest from potential capital providers, contractors, measure distributors, and certification agents. Measures will be selected and payments structured so that for every \$0.80 in Hayward Efficiency PAYS on-bill charges, there is estimated customer-bill savings of at least \$1.00.

Residential solar installations are not discussed in this Concept Paper because at current energy rates and measure costs, solar typically has a payback term longer than ten years. However, at the request of Hayward staff the Design Team will also examine the potential for the pilot to help municipal and community entities implement solar hot water or photovoltaic systems and help Hayward test the viability of a specific weather-based irrigation controller as a program measure in future pilots.

The current schedule calls for the pilot to begin operation in February 2014.

2. Program Roles

Hayward Efficiency PAYS involves the interaction and cooperation of a number of key players so that the development and implementation of the program delivers widespread resource efficiency in Hayward.

Utility

Hayward's water utility will provide three basic program functions: 1) general program oversight including oversight of the Certification Agent; 2) preliminary program outreach including initial customer and community contacts; and 3) financial management including securing program capital, making program payments, and billing and collection of the PAYS tarified charge² from customers.

Capital Provider

If third-party capital (rather than self-financing) is to be used to fund the pilot, Hayward will seek a Non-Revolving Guidance Line of Credit of up to \$4,000,000 using a request for proposals (RFP) process. Hayward will repay the Capital Provider(s) with interest paid only on the capital drawn.

Certification Agent

A Certification Agent, selected using an RFP process, will be responsible for day-to-day operations including marketing, project approvals and contracts, and program data collection.

Custom Measure Assessor

The Custom Measure Assessor, selected using an RFP process, will be responsible for evaluating Custom Measures for the tariff.

Certified Contractors

Only Certified Contractors may install measures during the pilot. The Pilot's initial Basic and Custom Measure Contractors will be selected using an RFP process. "Customer Choice" contractors brought to the program by Property Owners are also eligible to become Certified Contractors. To become certified, a contractor must agree to the pilot's terms and provide evidence of successful projects involving comparable installations.

Certified Suppliers

Manufactures and distributors of the pilot's pre-qualified Basic Measures will be selected based upon measure quality and performance.

Property Owners

Owners of multifamily buildings (and if appropriate, their building managers) with master metered water service and central hot water who agree to the pilot's terms.

Tenants

Property owners (or their representatives) will coordinate with tenants to allow Certified Contractors to enter their units and install measures. Tenants will receive up to five LED light bulbs for allowing access to their units.

² The utility authorized charge at the meter location where certified Hayward Efficiency PAYS measures have been installed.

Design Team

The Sonoma County Regional Climate Protection Authority (RCPA), on behalf of the Bay Area Regional Energy Network as funded by the California Public Utilities Commission, leads a consultant team that is developing pilot programs that conserve water and energy.

BKi is the project manager. BKi oversees the work of the Design Team and assists BayREN in meeting its responsibilities to the CPUC.

Energy Efficiency Institute, Inc. (EEI), the developers of the PAYS system, are helping develop Hayward Efficiency PAYS into a program that effectively meets the needs of Hayward’s multifamily property owners and their residents.

Resource Performance Partners (RPP) is providing EEI and Hayward with economic as well as water and energy savings analyses to ensure Hayward’s program benefits participants.

Implementer summary

Role	Procurement Method	Contracted To	Paid By ³
Capital Provider	RFP	City of Hayward	Repaid by City of Hayward
Certification Agent	RFP or selected directly by City of Hayward	City of Hayward	City of Hayward
Custom Measure Assessor	RFP	Certification Agent	City of Hayward
Certified Contractor	RFP for initial contractors; customer choice contractors to be certified by Certification Agent	Certification Agent	City of Hayward
Certified Suppliers	RFP	Certification Agent	City of Hayward

3. Target Market

The Hayward Efficiency PAYS pilot will target multifamily buildings that have:

- 20 or more units as primary target, 5-19 units as secondary target⁴;
- master-metered water service and central water heating systems;
- primarily toilets that use 3.5 or more gallons per flush (gpf)⁵;

³ The City of Hayward will make upfront payments to pay for all pilot services. These costs will be re-paid over time by those customers benefiting from installed measures by paying the Hayward Efficiency PAYS® charges on their water utility bills.

⁴ Preliminary analysis indicates that for buildings with 20 or more units, there will be sufficient savings to cover all program costs associated with installing Basic Measures without copays. It is possible that there may be sufficient savings to qualify installation of Basic Measures in buildings with fewer than 20 units without copays.

- higher than national average per-unit water usage, and;
- property owners who express interest in installing energy- and water-saving measures without incurring undue risk or increasing their debt load.

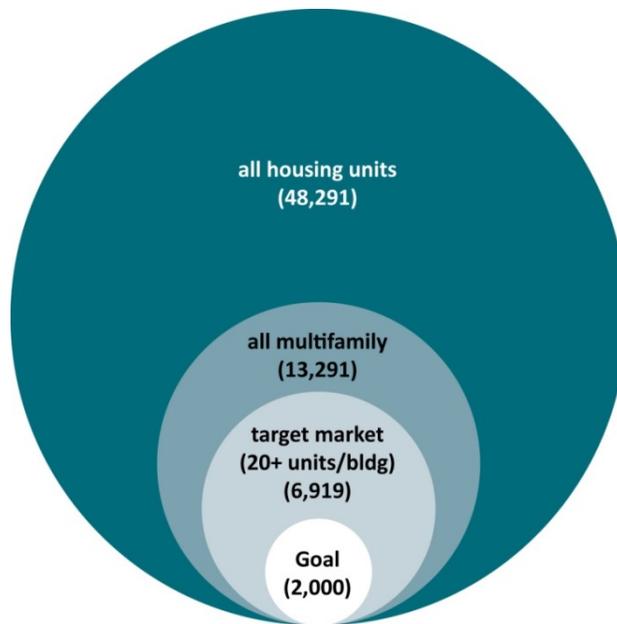
Participating building owners must agree to program terms, including that they:

- pay for measures over time (out of their savings);
- disclose the payment obligation to successor owners or building managers, and;
- maintain and not damage the measures.

Building owners (or their representative) must coordinate with tenants to allow Certified Contractors to enter the living units and install measures. Tenants will receive up to five LED light bulbs for allowing access to their units. At this time, the Design Team does not envision requiring tenants to sign agreements, since they are already legally obligated not to destroy or remove fixtures in units.

EI recommends that Hayward evaluate its pilot after serving approximately 2,000 units or completes one year of operation, whichever comes first. There are about 7,000 housing units in buildings with 20 or more units in Hayward, so 2,000 units represent more than 25% of Hayward’s target building stock.⁶

Number of target housing units in the PAYS program



Source: U.S. Census Bureau

Assuming an average building size of 30 units, meeting this goal would require providing pilot services to 67 target buildings in Hayward. Assuming a 20-unit minimum, the greatest number of buildings required

⁵ During the Program Design stage, the Design Team will verify its preliminary conclusion that it will often be cost effective to replace some 1.6 gpf toilets by packaging them with a number of other measures, ensuring these retrofits provide participants with immediate net savings on their utility bills.

⁶ U.S. Census Bureau American Community Survey 2011 5-Year Estimates, Table DP04

to meet this goal would be 100 buildings (i.e., 2,000 units ÷ 20 units per building = 100 buildings). Preliminary analysis of Hayward's building stock and initial outreach with multifamily building owners indicate that these participation goals may be reasonable given the conditions listed above.

4. Pilot Measures

Pilot measures, their cost, and their eligibility criteria will be finalized as part of the detailed Program Design and the recommended bidding process. The measures identified in this section are based on preliminary analysis by EEI and its subcontractor, RPP. EEI anticipates manufacturer and contractor responses to RFPs will result in prices at or below RPP's estimates. The Pilot's Basic Measures will be selected based on Hayward's assessment of measure quality, suppliers' willingness to take back unused units at no additional cost, extended warranties, price, and availability.

Measures eligible for the Hayward Efficiency PAYS tariff must screen as cost effective under the *80% rule*: annual payments cannot exceed 80% of the estimated annual utility bill savings and the maximum term of the monthly payment amount cannot exceed 80% of the useful life of the measure. Since the 80% rule provides the minimum threshold for measures to be eligible for the tariff, many participants will receive greater savings for a longer period of time than the 80% rule suggests.

Measure cost effectiveness can be determined once savings estimates and costs are known for an identified measure. This involves a simple annual percentage rate (APR) calculation, the same methodology used to calculate mortgage or financing payments, with three primary variables: cost (including costs associated with program oversight, permits, and measure assessment less any rebates), interest rate, and term. The term will be set using the 80% rule, but will be limited to ten years or 60 bi-monthly billing cycles. The interest rate will be set at Hayward's cost of capital. As long as the annual payments are less than 80% of the estimated annual utility bill savings, the project can qualify for the tariff with no upfront co-pay.

The Design Team will supply Hayward and its partners with two Excel workbooks with which to evaluate a measure or package of measures:

- The Multifamily Measure Screen determines whether Basic Measure packages qualify based on variables that include: the number of units, vacancy, average number of tenants per unit, number of 3.5 gpf toilets per unit, etc.
- The PAYS Custom Measure Screen determines whether Custom Measures qualify based on variables such as measure and labor costs, rebates, program fees, utility rates, cost for capital, etc.

Because usage varies depending on the occupants' behavior, to assure customer savings the Pilot will use occupant behavior assumptions that are based on a conservative estimate for existing annual water usage: 75% of national estimates for average tenant water usage. Participating Customers will be able to use the PAYS Multifamily Measure Screen to rescreen Basic measure cost effectiveness based on their own assumptions about occupancy and tenant water usage if they desire. The Certification Agent and Certified Contractors will explain how monthly PG&E and bi-monthly Hayward water bills will vary, but that over time, the participant will receive savings on these bills that are significantly greater than the PAYS charge.

Eligible Measures

Eligible measures will save water, gas, electricity, or a combination of these resources. All measures will be permanent measures that must remain in the building and be maintained. In the case of measure

failure due to product malfunction or improper installation (and not Participant damage, misuse, or lack of maintenance), measures will be repaired or the associated payment obligation will end.⁷

Basic Measures

Basic Measures, if eligible, must be installed in each tenant's unit, unless there are medical reasons or pre-existing conditions⁸ preventing installation, if the participating building owner wants to install Custom Measures in the building. Basic Measures require no upfront co-payment and consist of the following:

- **High efficiency showerheads:** Contractors will install a chrome 1.5 gpm showerhead to replace any existing showerhead. Customers may choose between either a wall-mounted or hand-held showerhead that uses 1.5 gallons per minute (gpm).
- **High efficiency aerators:** Contractors will install 1.0 gpm pressure compensating bathroom aerators and 1.5 gpm pressure compensating kitchen aerators unless tenants refuse them or installation is not possible.
- **High efficiency toilets:** Contractors will install a 0.84 gallon per flush toilet to replace any existing toilet in the building that uses 3.5 gpf or more.
- **LED light bulbs:** Dimmable LED bulbs will be installed in tenants' units as an incentive for their participation and to allow them to share in the savings. A maximum of 5 LEDs will be installed, each saving about \$15 per year (not including avoided bulb replacement savings). If there are any property owner supplied ceiling fixtures in units, LEDs will be installed there first. If possible, bids should be used to obtain lower costs and extended warranties for the bulbs.

Custom Measures

Custom measures require a Pilot-approved assessment to determine anticipated resource savings based on pre-existing equipment, usage, and utility rates. Using measure costs, including assessment costs, and the PAYS Measure Screen, the Certification Agent can easily determine which Custom measures and how much of their cost are eligible for the tariff and how much, if any, copay would be required.

Custom measures will deliver primarily energy savings with high quality professional installations. Due to the highly technical nature of determining the potential for energy savings in multifamily buildings, the Custom Measure Assessor will evaluate a potential custom measure (including the appropriateness of the measure for the property and its savings) so the Certification Agent can determine whether the measure qualifies for the tariff; the table on Page 8 lists a range of measures which could be eligible for a PAYS tariff.

⁷ This scenario has not occurred to date in programs based upon the PAYS system because repair costs for PAYS measures can be recovered by extending the payment term for the measure, provided the new payment term does not exceed the measure's useful life. However, it is possible for example that a toilet, with a ten year payment term, might fail after nine and a half years of service. Were the repair necessary to fix the toilet so expensive that the repair costs would require extending the payment term beyond the useful life of the toilet, then the remaining payment obligation would instead be cancelled.

⁸ Pre-existing conditions include, but are not limited to, rotting bathroom floor boards, waste water lines with a history of clogging or root penetration, and corroded pipes or faucets that would prevent easy removal of the existing equipment.

If possible, the Custom Measure Assessor should assess hot water measures which typically are cost effective in multifamily buildings: hot water demand control systems and insulation of accessible existing hot water supply and return pipes. Significant energy is often wasted if water heating systems circulate water all the time to ensure hot water is available on demand. Energy savings can be attained by a control system that limits hot water circulation to times when return water is below a set temperature or when a unit is calling for hot water.

Measure Costs and Rebates

The Multifamily Measure Screen and Custom Measure Screen will determine the portion of program measure costs eligible for the Pilot tariff. Costs for certain measures (including showerheads and aerators in the Basic Measure category) will be eligible for the tariff and as a result will require no up-front cost to participants. For other measures, the portion of their cost deemed not eligible for the tariff must be met by a combination of customer co-pay up front and/or available rebates.

Conversion of inefficient toilets to high efficiency toilets will require using the existing Hayward toilet rebate in order to make this installation available to most participants with no up-front cost. During Program Design, the Design Team will work with Hayward staff to determine the most efficient use of rebate funding to assure the greatest number of toilet upgrades.⁹

Most Custom Measures will have a portion of the cost that must be met with a co-pay or a rebate. Customers who value benefits provided by these products that are unrelated to savings or who expect water or energy rates to increase may still want to install such measures. The Design Team is working on ways to deploy existing rebates, including those offered by the BayREN Multifamily Pilot, in a way that allows multifamily property owners with central hot water and/or space heating to install eligible Custom Measures with no co-pay.

Municipal Solar and Landscaping Measures (to be evaluated)

Additionally, as part of the detailed Program Design, the Design Team will work with Hayward staff to evaluate the potential for the Pilot to help municipal and community entities purchase solar hot water or photovoltaic systems, and also help Hayward test a recommended weather-based irrigation controller that might qualify with little or no rebate funding as a measure for multifamily, municipal, and commercial customers. Key attributes sought by the Design Team for technology to reduce water used to irrigate an existing landscape include:

- minimum lifecycle cost per gallon of water saved;
- simplicity of installation and programming; and
- water-saving performance that does not depend on purchasing support services.

5. Leveraging BayREN Multifamily Program

Hayward Efficiency PAYS may leverage the rebates available through the Bay Area Regional Energy Network Multifamily Subprogram (MF Program) in order to expand the scope and quantity of energy saving projects completed in the PAYS program. The MF Program rebates will help “buy down” the total cost of installing these additional energy-saving measures, making them eligible for the PAYS tariff with no (or a greatly reduced) customer co-pay.

⁹ The PAYS system allows current rebates for most measures to be significantly reduced or eliminated even as customer take-up rates increase.

The MF Program provides incentives for comprehensive energy upgrades in multifamily buildings throughout the nine Bay Area counties by offering no-cost technical assistance and a rebate of \$750 per unit for any upgrade package that reduces modeled energy use (combined electricity and natural gas) by 10% or more. The MF Program seeks to upgrade 5,000 dwelling units in 225 buildings by the end of 2014. More information about the MF Program is available at <https://multifamily.energyupgradeca.org/>.

Upgrade Measures

The MF Program encompasses all upgrade measures that save electricity or natural gas, whether for the tenant or property owner, and whose energy savings can be captured by the program’s energy modeling and custom calculation techniques. Hayward Efficiency PAYS helps multifamily building owners install measures that reduce the property owner’s utility bills, including measures that reduce water use.

Because of these different criteria (MF Program includes measures that save tenants money, but excludes water measures; PAYS excludes measures that save tenants money, but includes water measures), not all MF Program measures are eligible for the PAYS tariff, and not all PAYS measures will qualify for an MF Program rebate. Further, some energy saving measures may not be eligible for the PAYS tariff based on who the utility payer is (i.e., which in-unit water and energy usages are paid by the property owner).

The following table identifies measures that apply to the MF Program, Hayward Efficiency PAYS, or both, assuming the Pilot’s target utility payment configuration (property owner pays for in-unit water, water heating, and all common area utilities, and tenant pays for in-unit electricity, space heating, and appliance fuel). Measures that apply to both programs are highlighted in blue. Some measures that are potentially eligible for the PAYS tariff may require a large co-pay to fulfill the 80% rule.

Upgrade measures potentially applicable to Hayward Efficiency PAYS and/or MF Program¹⁰

Measure	Measure end-use location	Eligible for PAYS (reduces property owner utility bills)	Eligible for BayREN MF rebate (reduces energy use)
Building envelope measures	In-unit	No	Yes
Clothes washer	Common	Yes	Yes
Clothes washer	In-unit	Yes	Yes
Duct replacement/sealing/insulation	Common	Yes	Yes
Duct replacement/sealing/insulation	In-unit	No	Yes
Faucet aerator	In-unit	Yes	Yes
Refrigerator	In-unit	No	Yes
Lighting	Common	Yes	Yes
Lighting	In-unit	No	Yes
Pool cover/heating	Common	Yes	Yes
Pool lighting/pumps	Common	Yes	Yes
Showerhead	In-unit	Yes	Yes
Space cooling measures	Common	Yes	Yes
Space cooling measures	In-unit	No	Yes
Space heating measures	Common	Yes	Yes
Space heating measures	In-unit	No	Yes
Standard landscaping	Common	Yes	No

¹⁰ Assumes pilot’s target utility payment configuration: property owner pays for in-unit water, water heating, and all common area utilities, and tenant pays for in-unit electricity, space heating, and appliance fuel.

Toilet	In-unit	Yes	No
Vending machine controls	Common	Yes	Yes
Water heating measures	In-unit	Yes	Yes
Water heating measures	Common	Yes	Yes

Program Design

If MF Program measures are included in the Hayward Efficiency PAYS pilot, there are several aspects of program design that need to be coordinated to ensure the success of this relationship. Key opportunities for cooperation and coordination include:

- mutual marketing and outreach efforts;
- aligning data collection and documentation tools to minimize paperwork and maximize data quality;
- cross-training Certified Contractors to ensure consistent application of each program’s guidelines;
- cross-training assessors and technical assistance staff to ensure resource savings evaluations and scope of work recommendations meet the needs of both programs;
- cross-training on-site inspectors so one field inspection can meet the needs of both programs; and
- determining how to assign claimed energy savings for each program for the purpose of reporting to the CPUC for upgrade measures installed on one property under both the MF Program and Hayward Efficiency PAYS pilot.

Additional Research Needed

The Design Team is currently working with MF Program staff to evaluate whether the MF Program’s modeled energy savings estimates can be used to reliably calculate PAYS eligibility. If and when it is determined that the MF Program energy savings estimates meet Hayward Efficiency PAYS pilot standards, the Design Team will work further with the MF Program implementers to coordinate program designs.

6. Marketing, Education & Outreach (MEO)

Creating an offer that works requires a well thought out, strategic marketing plan. The MEO activities for this pilot should be rooted in the objective to enroll sufficient properties to meet the pilot’s target of 2,000 units served. The MEO will be launched in two-phases. First, a direct contact by Hayward staff to familiarize eligible customers with this unique offer will determine whether there is interest. Second, a follow-up contact by the Certification Agent will market specific goods and services and bring in Certified Contractors as appropriate when the customer is ready to discuss product, installation, and cost specifics.

Brand Name

While Hayward Efficiency PAYS is used throughout this Concept Paper, it has not been adopted as the program name. Before launching the MEO program for the pilot, a brand name needs to be identified and approved by Hayward. A group discussion with representatives of Hayward, the Design Team, and others as appropriate should be conducted to address and adopt a brand name.

Key Messages and Communications Goal

The key message for the program will be its focus on an offer that works: an opportunity to purchase resource efficiency products with no upfront payment, no new debt, and none of the risks property owners are likely to associate with contractors installing measures in their buildings or installing products based on future savings.

The communication goal for the pilot should follow the marketing principle outlined in Lawrence Berkeley National Laboratory's *Driving Demand* study: "one touch is not enough. A message must be delivered multiple times before a consumer will engage in learning more about a product or service."

A Focused MEO Campaign

The MEO plan recommended for Hayward Efficiency PAYS will try to avoid broad-based marketing yet be effective at securing participation. It is possible that by targeting high users and serving buildings with an average of 100 units, the pilot could reach its goal of retrofitting 2,000 units by serving only twenty buildings (2,000 units ÷ buildings with 100 units = 20 buildings). However, because customers are not familiar with the pilot's offer, the Design Team wants to caution Hayward that it may prove necessary to supplement the proposed MEO with a broader effort to create confidence and interest in the pilot offer. Early monitoring of pilot uptake will help ensure that there will still be time to implement a full-fledged customer education campaign if necessary.

Phase 1: Hayward Outreach

The Design Team recommends that Hayward staff first meet with interested property owner groups such as the Rental Owners Association with the goal of:

- creating trust in the program;
- explaining how the pilot will reduce costs for participants;
- showing how the pilot provides customers with a practical way to reduce energy and water usage, save money, and reduce harmful environmental impacts;
- generating interest in attendees being among the few allowed to participate in this limited pilot; and
- collecting the names of building owners who indicate that they want or don't want to be contacted by the Certification Agent.

Then, Hayward staff should contact eligible high-using multifamily building customers by phone to secure permission for the Certification Agent to call them to explain the program and determine their interest. If phone calls prove too time consuming, Hayward will send a letter to groups of customers (to avoid over subscription) informing them of the program and allowing them to reply indicating that they do not want to be contacted by the Certification Agent. Finally, if these efforts are not sufficient to generate understanding of an offer that works and interest in participating in the pilot, Hayward may send out bill stuffers, approve robo-calls by the Certification Agent, and issue press releases as part of its education efforts.

In Phase 1, it is also recommended that Hayward create a subpage within its own website that provides general information on the program, including the program offer, eligible measures, information for how to participate and how to contact the Certification Agent, a list of Certified Contractors, and responses to FAQs.

Phase 2: Certification Agent Marketing and Outreach to Customers

Once Hayward staff have contacted property owners, the Certification Agent will contact individual high-use multifamily building customers to explain to them how the program works. Printed materials (e.g., a brochure with Hayward and program logos) should be available to send to potential participants who want to think about the offer and verify its legitimacy.

If Contractors (either Basic or Custom Measure contractors) seek to market the pilot, their marketing effort should be approved only if would-be participants will be adequately informed of the utility bill savings opportunities from both Basic and Custom Measures. Custom Measure contractors must explain that Basic Measures must be installed. Basic Measure Contractors must explain a Custom Measure Assessor will assess which Custom Measures can be installed.

Experience has shown that when two contractors are necessarily involved (e.g., one to install LED lights and toilets in units and another to work on space and water heating systems), coordination problems undermine program success. It is for this reason that the Design Team recommends that the Certification Agent handle the majority of marketing for the pilot and approve any Contractor marketing to ensure clear communication with potential participants, provide accurate information, and facilitate installation of both Basic and Custom Measures.

The Design Team anticipates that the Certification Agent will need to meet on site with interested customers to:

- explain the program (especially the use of national averages);
- tailor the Multifamily Measure Performance Screen to mirror the property owner’s assessments;
- gather accurate data about the building to determine rebates and estimate savings; and
- gauge the owner’s interest in Custom Measures.

The Certification Agent should decide whether to invite the Custom Measure Assessor or the Basic Measure Contractor to this meeting based on a the building owner’s level of interest. While BayREN Multifamily rebates are available, it is likely the Certification Agent will bring the appropriate BayREN Multifamily program staff to this meeting.

A Broad MEO Campaign

If Hayward decides to expand the pilot to all multifamily customers at some future time, a more traditional, well-organized and thorough consumer education phase will need to be added. An offer too good to refuse is likely to sound like an offer too good to be true, especially if the first time a customer hears the offer it is delivered by an unknown Certification Agent or contractor. If the pilot is expanded, the consumer education campaign should utilize “trusted messengers” such as local media and community and opinion leaders.

With an expanded program, utility bill stuffers and web sites must announce, explain, and inform customers about the program. Having tenants contact their property owners will further help the customer education effort.

As part of the development of an expanded education campaign, Hayward staff and program partners would also need to identify, meet with, and seek support from key local business and community leaders such as Chambers of Commerce, churches, or civic organizations to enroll them in promoting the pilot to their community (e.g., setting up meetings for utility managers, presentations to service organizations with invitations to help, letters to editor, etc.). The support of local community leaders

who customers know and respect should lend credibility and create confidence in the program. During development of the education campaign, thought should be given to which local groups within each pilot city/town, if any, would be most helpful to create trust and excitement.

Again, at this time the Design Team does not recommend a broad ME&O campaign for this pilot, as such activity could create greater demand than can be met before Hayward has the opportunity to evaluate the costs and issues associated with implementing programs based on the PAYS system.

7. Certification Agent

The Certification Agent is the gatekeeper to all Hayward Efficiency PAYS program activity and needs to be widely trusted by customers. Hayward participants need to know there is someone to whom they can turn if something goes wrong who has the power to make it right, and who will make it right. Hayward needs the Certification Agent to field all customer inquiries and resolve issues so Hayward's staff is not burdened by customer questions or complaints about the pilot.

The Certification Agent will be responsible for daily implementation of the pilot and fulfill three basic functions:

- **Marketing:** Upon referral from Hayward's initial contact, the Certification Agent will be responsible for conveying the pilot's offer to interested Hayward multifamily property owners and contractors. To the extent potential participants understand the offer that works and contractors fully understand the responsibilities of being a Certified Contractor, the pilot should be able to meet its goals.
- **Ensuring measures are appropriate, cost effective, and correctly installed:** The Certification Agent is responsible for approving all projects prior to any work being done, for making sure participants understand the offer, the measures, and the basis for savings estimates, and for assessing the appropriateness of the work. The Certification Agent is responsible for ensuring projects meet the 80% rule. The Certification Agent performs quality control after project installation.
- **Ensuring paperwork and data are complete and accurate:** The Certification Agent is responsible for making sure that all Agreements are complete and signed, all forms required for a specific job are complete and accurate (and signed if appropriate), and that all data on forms and agreements are correct based on quality control verification. Estimated participant savings and bi-monthly payments will be based on agreements and forms.

Potential purchasers of measures installed in a program based on the PAYS system must have confidence that there will be savings and that measures will last throughout the payment term. Independent verification of product savings estimates is crucial to creating consumer confidence. Additionally, customers need to know that products meet standards for operability, safety and efficiency; are appropriate for the customer's application; and are properly installed. Certification also assures the water utility of a reliable payment stream from installed products that produce reliable savings for enough years to recover all costs.

The Certification Agent will provide customers with the following services:

- Certification of program contractors, including arranging for them to sign contracts, verifying insurance coverage and bonding that protects owners/customers for the duration of payments, and training contractors to meet program standards.

- Verification by telephone and selected on-site pre-inspections that measures qualify and that measures are appropriate for the building.
- Verification that contractors' savings estimates are accurate, that no other savings or performance claims beyond those approved by Hayward have been made, that the 80% rule has been met, and that the Multifamily Measure Performance Screen and Customer Measure Screen have calculated the correct PAYS charge.
- Verification of appropriate measure installation by telephone or on-site, post-installation inspection. All participants will receive telephone inspections. On-site inspections will be budgeted for about twenty percent of participants. Contractors whose performance necessitates additional on-site inspections will pay for unbudgeted inspections.
- Assurance that program limits on participation and funding (e.g., the \$4,000,000 cap on available capital) are not exceeded and that contractors abide by rules.
- Help resolving disputes with contractors and assistance in obtaining relief if measures fail (i.e., effecting cost-effective repairs or payment cessation) for reasons other than property owner or tenant fault.
- Requiring manufacturers to make good on their warranties.
- Requiring contractors (or their bonding agent) to make good on their contracts, including paying penalties for failed inspections.
- Determining disbursements to Certified Contractors for measure installations and repairs.
- Notifying Hayward to initiate billing of tariffs (including the amount and type of charges) and when to stop charges if measures fail and cannot be repaired.

One office/field staff person (i.e., one FTE) should be able to handle the Certification Agent responsibilities for this pilot. Even if the pilot meets its goal of retrofitting 2,000 units, the maximum number of projects is about 100. It is more likely the number of buildings served will be closer to the minimum of 20 buildings depending on the number of units in each building. If this pilot produces the same offer acceptance rate (i.e., 50% or higher) as every other program based on the PAYS system, the maximum number of initial customer contacts will be between 40 and 200. The Design Team estimates this staff person would be able to provide visits to up to 300 buildings especially if it uses the recommended process of using telephone calls to screen participants to avoid wasted visits. The Program Design will likely call for 20% on-site post-installation inspections.

During development of the Program Design, the duties and responsibilities of the Certification Agent will be delineated, contracts finalized to institutionalize these duties and responsibilities, and a Certification Agent will be selected using an RFP process. The Design Team has verified that there is interest among one or more qualified entities in serving as the Certification Agent.

8. Certified Contractors

To participate in the pilot, contractors must be certified by the pilot's Certification Agent. Certification requires:

- demonstrating that staff understand the pilot rules and protocols prior to undertaking any work;
- having required insurance and bonding (or an irrevocable letter of credit);
- signing a Contractor's Agreement that allows the Certification Agent to act as the participant's Agent; and

- providing evidence of successful comparable projects.

The Program Design will establish clear criteria for certifying contractors to access the PAYS tariff to offer quality assurance to Hayward and its customers. All Certified Contractors must agree to sign a Contractor Agreement and abide by all program rules.

There will be three types of Certified Contractors:

The Pilot’s Basic Measures Contractor. A Basic Measures Contractor will be selected based on an RFP process. The pilot’s Contractor will be selected based on its price, references, and demonstrated success installing the pilot’s water-saving measures in multifamily buildings. This Contractor will be recommended to property owners to install Basic Measures in customers’ buildings.

The Pilot’s Custom Measures Contractor(s). One or more Custom Measures Contractors will be selected based on an RFP process. The pilot’s Contractor(s) will be selected based on its price, references, and demonstrated success installing typical water heating, space heating, and other efficiency measures in multifamily buildings. This (these) contractor(s) will be recommended to property owners to install eligible custom measures. It is possible more than one Custom Measure Contractor will be required if one contractor does not fulfill all identified program skills and certifications.

Customer-Choice Contractors. Participating customers may select a their own contractor to install Basic and/or Custom Measures in their building providing the Contractor is willing to sign a Contractor Agreement and meet Pilot contractor certification requirements (i.e., provide the required level of insurance, bonding, etc.). If a Customer-Choice Contractor installs Basic Measures, it must do so for the established program price or the property owner must pay the difference (treating any additional cost as a co-pay). The Customer-Choice Contractor must be willing to meet with the Certification Agent on site prior to starting any work or incurring any expense to go over program guidelines (i.e., to be trained). There will be a one-time cost (training fee) paid by the interested contractor to the Certification Agent for this meeting.

Contractor summary

	Basic Measure Contractor	Custom Measure Contractor	Customer-Choice Contractors
Procurement Method	RFP	RFP	Customer selection
Customer Assurances	Licensed for measures installed Insured and bonded to program requirements Minimum 1-year parts and labor warranty		
Pricing	Standard price set by RFP for Basic Measures	Variable by project	Standard price set by RFP for Basic Measures; Variable by project for Custom Measures
Training	Trained by Program Design Team as part of launch	Trained by Program Design Team as part of launch	Trained on site by Certification Agent (fee)

Participants must understand that Basic and Custom Measures installed by Customer-Choice Contractors will not be provided the same quality assurances as other PAYS-eligible Basic and Custom Measures. When measures are installed by Customer-Choice Contractors, Hayward

- will repair failed measures and extend the term of payments when there is reasonable expectation the measures will continue to function for the extended term;

- will not stop the PAYS charge if these measures cannot be repaired in order to avoid disputes about the cause of measure failure (i.e., for measures installed by Customer-Choice Contractors, the customer must continue to pay the charges even if the measure is not working); and
- will require a disclosure lien be filed with the property's records - the lien will notify successor customers that the payment obligation will automatically transfer to them if they purchase the building, unless they or the building owner pay off the remaining obligation and repay Hayward for any rebates or other expenses associated with installing measures at this location. The disclosure lien will also notify the successor customer that if they accept the charges, they must agree in writing to adhere to all conditions in the Purchase Agreement and Exhibits (i.e., available from the City of Hayward).

Contractor Agreement

The Contractor Agreement will require Certified Contractors to provide a high level of assurance to customers. The detailed Program Design and the accompanying Contractor Agreement will specify Certified Contractor responsibilities, which will include agreeing to:

- be bonded or provide an irrevocable letter of credit from a bank to assure compliance;
- provide labor warranties;
- be responsible for the quality of its workmanship and compliance with federal, state and local standards;
- be responsible for identifying any pre-existing conditions that would preclude installation of program measures (e.g., rotted floor boards at the toilet rough-out or corroded shower pipes);
- secure required permits and include this cost in their proposed project price;
- pay any required training fees and any penalties related to failed program inspections, which will be used to pay for additional quality control inspections; and
- successfully complete required training in order to be allowed to make offers to customers.

Contractor Selection

The Design Team proposes using RFPs both to select two Certified Contractors: one Basic Measures and one Recommended Custom Measures contractor. These RFPs will also be used to establish fixed prices for the installation of Basic Measures. There has been sufficient contractor interest in the pilot, the PAYS offer, and the responsibilities outlined above to expect that one or more contractors will respond to the RFP. It is likely that final selection after initial screening will require an interview and references check.

Although the Certification Agent will recommend the use of these selected contractors, any customer that prefers that another contractor install measures may do so and pay for the installation through the tariff, providing that their contractor is willing meet the requirements for the Customer-Choice Contractor.

The Pilot's Program Design will provide further detail for how to make the customer experience as simple and easy as possible (as few contractor visits and contracts signed as possible) yet provide customers with access to contractors able to offer all the products customers might want.

9. Customer Offer

Once the Certification Agent receives a list from Hayward of the high-use multifamily building customers that have been contacted and have not opted out, it will contact each building owner and explain the Hayward Efficiency PAYS offer prior to visiting the building. If owner expresses interest, the Certification Agent will meet the owner at the site bringing along the appropriate contractors and the Custom Measure Assessor.

The purpose of this visit is to determine which Basic Measures qualify for the PAYS tariff and to make an offer to the customer. If the customer is ready to go ahead with the project, the Certification Agent may leave with a signed Purchase Agreement for Basic Measures. If not, the agreement can be left behind and signed when the customer is ready.

Additionally, the Custom Measure Assessor, if present, will review the opportunities for installation of Custom Measures and determine the owner's interest. If the owner is interested, the Custom Measure Assessor will gather needed information to analyze Custom Measures including a firm price from the contractor. The Custom Measure Assessor will get back to owner once the analysis is completed and send a Purchase Agreement for any qualifying measures.

Once customers accept the pilot offer as legitimate, the Certification Agent or a Certified Contractor with an offer "too good to refuse" should be all that is required to market measures in this PAYS pilot. Certified Contractors should have no trouble closing the deal when they are able to offer customers installations with the following offer:

- I install measures and you pay me nothing. Your water utility pays me.
- After a waiting period of 45 days from project completion, you will see a PAYS charge on your water utility bill. However, your total utility bills, even with the new charge, will be significantly less each year than what they would have been without installing the measures; the tariff is designed to provide the bill payer at this location with immediate net savings.
- You and your building have no loan, no lien, and no debt associated with this obligation; just lower utility bills.
- If you sell the building at any time, your payment obligation ends (except for Custom Measures installed by a Customer-Choice Contractor); the next bill payer at this location gets the remaining savings and makes the remaining payments.
- If you report that a measure fails at any time during the payment period and it is not repaired, your payment obligation ends (except for Custom Measures installed by a Customer-Choice Contractor).
- If a Basic or Custom Measure installed by the program contractor fails, you did not damage it, and it can be repaired, you will not pay for the repair at that time. The payment term will be extended to recover repair costs; whoever is in the location at that time will continue to pay a little longer but only if the measure continues to function.
- If, at any time during the payment period, it is discovered that I put in the wrong measure, put it in incorrectly, or failed to get required permits, the utility has required my company be bonded for the duration of the payments. That means I or another contractor will fix the deficiency at no cost to you, even if I go out of business.

During development of the Program Design, the Design Team will develop protocols for how Contractors may adjust this offer to account for co-pays and custom measures.

Referral to Other Programs

Certified Contractors will be trained about other program opportunities that might be appropriate for customers or that might enable participants to supplement their installation of Basic Measures.

Program materials will be prepared and left with all participating customers. This approach could be used to promote Energy Upgrade California, California Solar Initiative, Energy Savers and Energy Assistance Programs, the BayREN Multifamily Program, and other such initiatives.¹¹

10. Capital

To sufficiently fund Hayward's pilot, the Design Team recommends Hayward secure access to up to \$4,000,000.¹² If Hayward determines it will seek third-party capital in this amount, the Design Team further recommends that Hayward seek a Non-Revolving Guidance Line of Credit with terms that will work for the pilot. The Line of Credit will need to allow Hayward to make up to 15 draws in one year (monthly draws for multifamily building projects and up to 3 draws for community solar projects and, if necessary, the weather-based irrigation controller to be tested). Except for an origination fee, the City of Hayward's financial obligations will be incurred only when it draws down funds to pay the Certification Agent and vendors for approved, completed projects. There will be no obligation to pay for unused funds made available by the Capital Provider for this pilot.

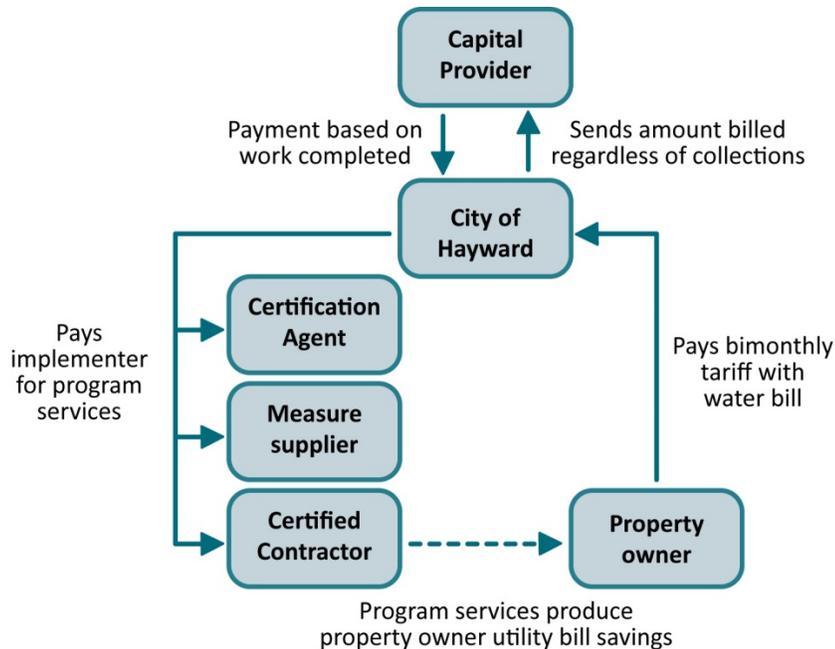
Any third-party Capital Provider will be selected based on an RFP process to ensure the lowest possible rate and most flexible terms (e.g., origination fees and the duration of quoted interest rates). Capital Providers will bid the interest rate for its funds, the duration (up to one year) that they will make funds available at that interest rate, and the minimum duration between any changes to the interest rate.

Hayward would sign a Non-Revolving Guidance Line of Credit with a Capital Provider. Each month Hayward would issue checks to the Certification Agent, Certified Contractors, and Certified Suppliers based on the number of measures installed in approved completed projects, after drawing down funds from the Line of Credit. Hayward would add PAYS charges to participants' bi-monthly bills and track their payments. And it would repay the Capital Provider on a monthly or bi-monthly basis regardless of its collections from customers.

¹¹ This approach led to Energy Upgrade referrals in Windsor Efficiency PAYS.

¹² RCPA successfully obtained a commitment for a Non-Revolving Guidance Line of Credit from an interested capital provider for up to \$4,000,000 for the Windsor Efficiency PAYS pilot that would have required up to 15 year payment terms, two draws every month, and three different payment streams (or 72 different loans in per year). Hayward's pilot will serve more financially stable customers (multifamily property owners compared to single family customers) and require only 15 draws with all but three of them for the same payment term. The \$4,000,000 estimate for Hayward was based on using the Multifamily Measure Performance Screen to evaluate different scenarios. This analysis is available upon request.

Capital flow in the PAYS program



At Hayward’s request, the Design Team has initiated conversations with capital providers including a local bank. Prior to further discussions during the Program Design phase with potential capital providers, Hayward should decide whether it will self-finance its pilot. If Hayward decides to use third party capital the RFP process will establish the rates and mechanics for capital availability. Variable rates will not be acceptable. Any amount of at least \$4 million (or more if additional measures are added by Hayward during the design phase) will be acceptable. The Capital Provider will be required to provide at least 90 days notice of any interest rate increase before it takes effect. The Program Design process will involve working with potential capital providers to assess credit quality and Hayward’s needs using readily available information. Any interest rate below or equal to 7% will easily facilitate an offer that works. The final selection of one or more Capital Providers will be made by Hayward.

Alternatively, Hayward could self-finance its pilot. The Town of Windsor self-financed its PAYS pilot, which allowed Windsor to repay itself for the cost of capital rather than repay interest to a third-party capital provider, to increase revenues on money now held in banks, avoid a third-party origination fee, and create a rate stabilization fund.

Final estimated capital needs will be determined during development of the detailed Program Design. However actual capital requirements will depend on variables including:

- the number of participating buildings;
- the specific measures that qualify;
- the bid prices for installation of these measures;
- whether there are any funds available from the BayREN Multifamily pilot (which should generate a significant amount of the financing required to meet the customer’s out of pocket expense for energy saving measures); and
- whether customers are interested in Custom and Co-pay measures.

11. Bad Debt

To date, all programs based on the PAYS system have experienced higher than normal utility customer payment rates with minimal program-associated bad debt¹³. To ensure similarly high payment rates for this pilot, Hayward is urged to follow its normal collection protocols including disconnection for non-payment and referral of any customers to credit and collection agencies.

Bad debt, if any, will be the responsibility of Hayward. If there is any bad debt, some could be recovered by extending the payment term at the project location if the measure is still functioning. To minimize this risk, eligible customers will be required to be in good standing with their Hayward utility billing account.¹⁴

12. Billing Program Charges

The Hayward Efficiency PAYS pilot will limit initial on-bill charges for multifamily participants to a single, ten year duration to simplify pilot administration and access to third-party capital. Final payment durations will be determined by measure performance and bill payments made. At this point, the Design Team estimates that:

- Basic measure payments will be spread over 10 years;
- Custom measure payments will be spread over 10 years¹⁵; and
- Custom and Basic measures likely will require separate charges on the customer's bill;

If available, community solar projects will be spread over 12 years. The Design Team encourages Hayward's billing and information staff to work with staff at the Town of Windsor and Tyler Technologies to make sure the Eden modules developed for Windsor Efficiency PAYS meet Hayward's needs or are quickly modified to do so.

Finally, if Hayward were to make programs based on the PAYS system available to single family customers, the Design Team recommends that Hayward move to water and sewer bills based on single-gallon units rather than CCF (748 gallons). The CCF billing increment is too large to accurately reflect single customer water savings on a monthly basis, and single-gallon billing would better measure (and reward) savings. Additionally, single gallon volumetric wastewater billing will increase the value of installing water saving measures to participants.

¹³ Of the eleven programs based on the PAYS system operating in five states, the combination of disconnection for non-payment, rigid standards for Certified Contractors, oversight by a Certification Agent, and the ability to repair measures have resulted in bad debt from all programs combined of less than one-thousandth of one percent of the \$18 million total installed costs for customer-purchased efficiency measures.

¹⁴ "Good standing" will be further defined in the Program Design based upon discussion with Hayward utility billing.

¹⁵ While BayREN's Multifamily rebate program is available, a high percentage of customers should accept Custom Measures; absent the rebates, there is no way to estimate how many, if any, Custom Measure projects participants will implement.

13. Training

Training modules developed during the Program Design phase for everyone involved in delivering pilot services ensure that program guidelines are followed, resulting in an effective pilot. All key players must know and understand the protocols they are supposed to follow and that their contracts require them to follow. The Program Design is intended to provide these guidelines so the implementing utilities and their program associates make all policy decisions in advance rather than in the field. Staff and Contractor's goals or immediate needs may or may not be in alignment with this pilot so it is important that all key policy decisions be aligned with the Program Design.

The Design Team recommends training Certification Agent staff, Certified Contractors, and each utility's customer service (or the individuals who may respond to customer enquiries) and billing staff to ensure that protocols will be followed and to allow these individuals to propose and help develop better responses to typical questions and customer issues. The training will also help key program partners to develop effective and consistent approaches for explaining:

- an offer that works and eligible measures;
- why Hayward is implementing this new approach;
- why customers should accept the new offer; and
- customer rights and responsibilities if they accept Hayward Efficiency PAYS measures.

The Design Team will prepare detailed training agendas and lists of recommended materials for manuals for the trainings.

14. Evaluation

Hayward's billing system, and the pilot's Measure screens and forms will provide significant data on the energy, water, and customer bill savings achieved by pilot participants.

In addition to this information, as a matter of best practice all programs should receive two types of evaluation. Process evaluation is required to identify program process refinements and make the program better for potential participants, contractors, and key staff. Impact evaluation, provided if possible by a party without an interest in the results, is required to determine the results of a pilot. The Design Team recommends evaluation as follows.

Process Evaluation

Process evaluation should occur four months after pilot start-up. Typically process evaluation is an internal process, however, if funds are available for a skilled outside process evaluator, that is preferred. At a minimum the process evaluation should include:

- a survey of impacted utility staff, Certification Agent staff, Certified Contractors, and community leaders; and
- a focus group of customers who chose to participate and those who did not.

Surveys and focus groups should be structured to answer the following questions:

- Does the program overcome the key market barriers to customer installation of efficiency measures?

- Do more customers accept installation of targeted measures with PAYS than with other programs?
- What, if any, utility bad debt was associated with the tariff?
- Has any customer been disconnected because of pilot related bad debt?
- What worked well and what could be improved?
- What comments, if any, have been received from pilot participants?
- What would make customers accept more and or bigger offers?
- What, if any, problems have customers experienced with contractors?
- What, if any, bill problems have been experienced by customers?
- Were there adequate sources of capital for efficiency measures?
- Can the utilities document that all capital providers were paid on time?
- Do customers want specific measures to be added to the program?
- Would customers recommend the program to other building owners?
- What improvements should be made to the pilot delivery structure?

If program goals are not being met (i.e., the pilot is not on track to retrofit 2,000 units via sufficient multifamily customers accepting offers and at least 35% of bona fide offers accepted, the minimum acceptance rate to meet program goals) the process evaluation should attempt to identify the reasons why not.

Impact Evaluation

Programs based on the PAYS system require the Certification Agent to review and approve every project. If part of the approval process is a requirement to enter data needed for evaluation into a spreadsheet, evaluation will be easy at any time throughout the program and for impact evaluation. Impact evaluation should report the:

- Number of customers receiving bona fide offers
- Number of customers accepting bona fide offers to install measures
- Number and type of measures installed
- Total cost of measures installed (includes rebates and up-front customer co-payments)
- Total cost of installed measures financed by tariff, including program fees
- Total yearly payments (assuming a full year regardless of when payments started)
- Percent of each measure installed per unit and per building
- Percent of each eligible measure installed per unit and per building (e.g., existing or medical conditions may preclude eligible measures from being installed)
- Total amount of up-front co-payments

To keep impact costs affordable, unless the CPUC or another source provides grant funds, cost savings data should be based on engineering estimates (to be provided by EEI and RPP during the detailed program design) recorded at the time customers participate by the Certification Agent and

supplemented by contractor reported replaced measure data (e.g., actual watts, gallons per flush, and gallons per minute removed). Estimated savings should be recorded for water, gas, and electricity. If feasible, estimated savings should be reported for units, common areas, and central water and space heating retrofits.

Furthermore, if possible, all data should be put into three groups to identify whether start-up or winding down operations had significant impact on program results:

- Customers who participated during the first five months
- Customers who participated in months five through ten
- Customers who participated in months ten through twelve (important if pilot is not continued)

While all program's results suffer from start-up hiccups and winding down operations, segregating savings data as recommended above will better enable other utilities to estimate results should they replicate this program over a number of years (i.e., minimizing the impact of start-up and winding down on overall program results if, in fact, they are significant).

15. Timeline

The Design team has worked with Hayward staff to establish the following milestones in order to meet the goal of a February 2014 pilot start-up and ensure the Design Team's availability to complete work on this project with current CPUC funding.

Concept Paper and Contracts/Forms: Staff Review & Revision

Date: September 20, 2013

A review of this Concept Paper and draft Contracts and Forms by Hayward staff by September 13, 2013 followed by revisions made to this Concept Paper by the Design Team by September 20, 2013 should facilitate approvals by City of Hayward Council and the Sustainability Council.

City Council & Sustainability Council Approval of Concept Paper

Date: October 15, 2013

Approval of this Concept Paper by the City of Hayward Council and the Sustainability Council, and discussion thereof will inform the Design Team's development of a detailed Program Design.

Delivery of a Program Design and Revised Contracts/Forms

Date: November 1, 2013

The Design Team will necessarily begin work on the Program Design upon submission of this Concept Paper on September 3, 2013. It will continue to work with potential contractors and measure suppliers, and will incorporate suggestions from staff, the Sustainability Council and the Town Council as appropriate to maintain the program's offer to customers.

Contract/Forms Review and Approval

Date: November 15, 2013

Lawyers and other interested parties need to review the Design Team's proposed suite of contracts, forms, and worksheets to ensure that there is time to make any changes required by California law and to meet the needs of the City of Hayward. This review should be started as soon as possible to ensure required reviews are completed and any needed changes are made, leaving time for copies to be printed and for the package to be available as part of the procurement process.

Release of RFPs

Date: December 2, 2013

The Design Team will work with Hayward Staff through the course of Program Design activities to develop RFPs for key program roles, including a Certification Agent, Capital Provider, Basic and Custom Measures Contractors, and Basic Measures Suppliers.

Review of Proposals in Response to RFPs

Date: January 20, 2014

At the direction of Hayward staff, the Design Team will offer input in the review of RFPs to help facilitate Hayward's selection of a Certification Agent, Capital Provider, Basic and Custom Measures Contractors, Basic Measures Suppliers and other key program parties.

Approval of Program Design

Date: January 28, 2014

The Hayward Efficiency PAYS pilot will only be implemented if the Program Design is approved by the Sustainability Council and City of Hayward Council by January 28, 2014.

Training

Date: February 20, 2014

As part of the Program Design, the Design Team will include recommendations for training agendas and training manual materials for the Certification Agent, Hayward Staff, and Certified Contractors. Training will be produced and presented by the Design Team with assistance from key program parties.

Implementation

Date: February, 2014

The pilot as described in the final draft of the Program Design to be submitted on February 20, 2014 will be ready for implementation.

16. Glossary of Terms

80% rule

When calculating PAYS tariffed charges and payment terms a measure, the 80% rule dictates that the customer's annual payments cannot exceed 80% of the estimated annual utility bill savings from installation of the measure, and the maximum repayment term cannot exceed 80% of the useful life of the measure.

BayREN

Bay Area Regional Energy Network. BayREN is a joint effort of the Association of Bay Area Governments and the nine Bay Area counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. BayREN represents 20% of the state's population and half the population within the Pacific Gas and Electric Company (PG&E) service territory.

Customer

A City of Hayward water utility customer.

Participant

A City of Hayward water utility customer that participates in the Hayward Efficiency PAYS pilot.

Property owner

The owner of a multifamily property in Hayward that is the pilot's primary target market.

Tenant

A resident of a unit within a multifamily property.

Unit

One apartment within a multifamily property.