

Nonresidential Custom

1. Program Description

This program provides a delivery channel for measures that do not fit neatly into MidAmerican Energy Company's other nonresidential programs. It offers financial incentives to customers installing any equipment or system not covered by a prescriptive rebate in the Nonresidential Equipment program. It also is available to customers that are not interested in participating in the more comprehensive Small Commercial Energy Audit program. The program is marketed as the Custom Systems program.

2. Operations

The program generally is customer-driven; that is, customers bring project ideas to MidAmerican and MidAmerican provides financial incentives for those projects meeting program guidelines. MidAmerican uses two program contractors to help deliver the program. One contractor works directly with customers to help identify and flesh out project ideas; receives program applications; advises customers and their contractors who specify projects; performs technical analyses of applications to confirm scope, cost and potential energy savings; calculates cost-effectiveness, payback periods, and rebates; makes field verification of completed projects; and revises expected annual energy savings from installed projects, if appropriate. A fulfillment contractor is responsible for tracking results and processing rebates.

Key steps in program participation include:

- Program enrollment, which involves filling out the program application to define project equipment, costs and energy savings for project pre-approval,
- Technical assistance, where necessary, from a program contractor to help identify and define projects,
- Project qualification, which involves confirming project incremental cost and potential energy and capacity savings data and evaluating societal cost-effectiveness,
- Rebate calculation for qualifying projects which, subject to certain constraints, buys down the customer payback from annual cost savings to one and one-half years capped at three and one-half years energy savings for tenant-occupied space, and down to two years payback capped at three years energy savings for owner-occupied space,
- Rebate processing and database maintenance for tracking and reporting purposes and
- Verification, where appropriate, that the project installation meets program guidelines.

MidAmerican energy efficiency staff provide overall strategic direction for the program and - supported by additional contractors - research and development, promotion, trade ally support, evaluation and other administrative functions.

3. Value Proposition

Customers participating in this program receive three main benefits:

- *Flexibility* to implement energy efficiency measures not covered by MidAmerican's other programs,
- *Financial benefits* in the form of rebates that buy down the higher incremental costs of energy efficiency strategies and ongoing utility bill savings throughout the life of the installed equipment and
- *Confidence* in efficiency investment through MidAmerican's independent verification of customers' cost and benefit analyses used to estimate energy savings.

4. Customer Targets

This program is available to all nonresidential customers for both new and existing buildings. Program measures must save energy supplied directly by MidAmerican. Transportation gas customers with daily metering are ineligible for incentives for gas measures; however, customers with monthly metering under the Monthly Metered Transportation Service gas tariff are eligible for energy efficiency incentives.

While the program is very broad by definition, principal targets include:

- Large commercial and industrial customers served by key account managers who can help them identify attractive project opportunities, and
- Customers with key equipment targeted by the program, including refrigeration systems, large motors and large process boilers.

Table 1 outlines customer eligibility requirements.

**Table 1
Customer Eligibility Parameters**

	Electric Equipment	Natural Gas Equipment
Customer Class	Nonresidential electric rates	Nonresidential natural gas rates; Gas transportation customers with daily metering are ineligible
Customer Status	Building or business owners; Landlords of customers	Building or business owners; Landlords of customers
Business Type	All	All
Building Type	All	All
Building Vintage	Existing and new construction	Existing and new construction
Geography	Installed in MidAmerican South Dakota electric territory	Installed in MidAmerican South Dakota natural gas territory
Size	All	All

5. Trade Ally Targets

Any business that specifies, sells, or installs qualifying equipment within MidAmerican’s service territory may participate in the program. The following types of trade allies will be predominant:

- Engineering firms qualified to specify custom-efficiency improvements
- Lighting, mechanical and motor dealers qualified to specify or install complex or very large systems not covered by the Nonresidential Equipment program
- Companies specifying, installing and maintaining control systems
- Refrigeration dealers

Trade allies will play a key role in implementing the program. To support its trade allies and keep them informed of program opportunities and changes, MidAmerican will maintain an active trade ally program.

6. Eligible Measures

All energy efficiency measures not covered by the Nonresidential Equipment program are potentially eligible for the program. The most common measures include building controls, large boilers, and heat recovery systems. However, other measures are likely to be installed through the program.

MidAmerican performs an annual review of qualifying equipment and may adjust measures and eligibility requirements in the future as market conditions and equipment standards change.

7. Market Barriers

Table 2 presents the key market barriers to an effective Nonresidential Custom Systems program, as well as the strategies the program uses to address each barrier. Note these program strategies can only partially offset the barriers.

Table 2
Market Barriers and Strategies

Market Barriers	Program Strategies
High cost of efficient equipment and competition for capital expenses	Rebates set at levels to help offset the incremental costs
Limited time, resources and information to consider efficiency in emergency replacement	Provide preliminary approval in a simplified process; Provide free technical consultation to help determine cost-effective options; Targeted dealer outreach and training; Ongoing dealer communications and education
Customers not aware of programs	Consumer outreach; Dealer outreach;
Lack of customer technical knowledge	Provide free engineering expertise
Lack of confidence in savings estimates from vendors	Independent third-party savings estimations; Independent savings verification for selected projects
Customers may be aware of programs but are not familiar with the measure options or systems that are eligible for rebates	Ongoing dealer communications and outreach
Low dealer awareness	Ongoing dealer communications and outreach
Landlord-tenant problem resulting from split-incentives	Offer higher rebates for tenant-occupied space

8. Financial Incentives

The incentive strategy is designed to offset the cost barrier associated with efficient equipment and systems. The range of program incentives is outlined below.

- **Technical assistance** and project analysis are available to participants free of charge.
- **Equipment incentives** are structured to buy down the customer payback to a period of two years for owner-occupied buildings and one and one-half

years for tenant-occupied space. To encourage customers to concentrate on the most cost-effective measures, incentives are capped at three years energy savings for owner-occupied buildings and three-and-one-half years of energy savings for tenant-occupied space. MidAmerican offers an extra incentive to landlords for tenant-occupied space to encourage landlord participation in programs.

MidAmerican performs an annual review of rebate levels and performance criteria and may adjust rebates in the future as market conditions change.

9. Promotion

The promotional strategy for this program will focus on direct contact with customers and targeted trade allies through personal communication and direct mail. The program will also be promoted through program-specific promotional materials and brochures and a dedicated Web page on MidAmerican’s Web site.

10. Participation

Table 3 provides program participation assumptions.

**Table 3
Participation**

	2009	2010	2011
Electric Measures*			
Building Controls	-	1	1
Natural Gas Measures*			
Large Boilers	-	1	1
Building Controls	3	4	5
Heat Recovery	1	1	1

*Other measures are eligible and are likely to also occur in South Dakota.

11. Energy and Demand Savings

Table 4 provides energy and demand savings goals.

Table 4
Cumulative Energy and Demand Savings

	2009	2010	2011
Electric Impacts			
Annual Energy (kWh)	-	40,980	81,960
Peak Demand (kW)	-	8	16
Natural Gas Impacts			
Annual Energy (therms)	8,704	22,309	36,983
Peak-Day Demand (therms)	95	230	377

12. Budget

Table 5 provides program budget assumptions.

**Table 5
Budget (\$000)**

	2009	2010	2011
Electric Budget			
Planning & Design	\$0	\$0	\$0
Administration	\$3,000	\$3,000	\$2,000
Advertising & Promotion	\$0	\$0	\$0
Customer Incentives	\$0	\$4,000	\$4,000
Monitoring & Evaluation	\$0	\$0	\$0
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Electric Total	\$3,000	\$7,000	\$6,000
Natural Gas Budget			
Planning & Design	\$11,000	\$0	\$0
Administration	\$12,000	\$12,000	\$13,000
Advertising & Promotion	\$1,000	\$1,000	\$1,000
Customer Incentives	\$16,000	\$29,000	\$32,000
Monitoring & Evaluation	\$5,000	\$9,000	\$5,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Natural Gas Total	\$45,000	\$51,000	\$51,000
Total Budget			
Planning & Design	\$11,000	\$0	\$0
Administration	\$15,000	\$15,000	\$15,000
Advertising & Promotion	\$1,000	\$1,000	\$1,000
Customer Incentives	\$16,000	\$33,000	\$36,000
Monitoring & Evaluation	\$5,000	\$9,000	\$5,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Total	\$48,000	\$58,000	\$57,000

13. Cost-Effectiveness Results

Table 6 provides program cost-effectiveness results.

Table 6
Cost-Effectiveness Results

Test	B/C Ratio
Participant	2.48
Utility	2.49
Ratepayer Impact Measure	0.74
Total Resource	1.27
Societal	1.70