

Nonresidential Custom Program

1. Program Description

This program provides a delivery channel for measures that do not fit neatly into MidAmerican's other nonresidential programs. It allows customers to receive financial incentives for individual equipment and systems that are not covered under the prescriptive rebate schedules in the Nonresidential Equipment program. While customers also can implement custom measures through the Small Commercial Energy Audit program and the Commercial New Construction program, the Custom program serves customers not interested in pursuing the comprehensive approaches of these other programs. The program is marketed as the Custom Systems program. MidAmerican will implement the program in South Dakota beginning in 2010.

2. Operations

The program is generally customer-driven; that is, customers bring project ideas to MidAmerican and MidAmerican provides financial incentives for those projects that meet program guidelines. MidAmerican uses two program contractors to help deliver the program. One contractor works directly with customers to help them identify and flesh out project ideas and also to help MidAmerican develop accurate and complete data to evaluate project proposals. The second contractor is responsible for program administration, including processing applications, tracking program data and coordinating rebate distribution with MidAmerican's accounts payable department. Both contractors also help MidAmerican verify project installations.

Key steps in program participation include:

- Program enrollment, which involves filling out the program application to define project equipment, costs and energy savings,
- Technical assistance, where necessary, from the program contractor to help identify and define projects,
- Project qualification, which involves evaluating cost-effectiveness from a societal perspective (that is, MidAmerican provides incentive only to those projects that can conserve energy for less than it would cost MidAmerican to supply the project with electricity and natural gas),
- Rebate calculation which, subject to certain constraints, buys down the customer investment so that it pays back in annual savings over a period of one and one-half to two years (depending on customer type),
- Rebate processing, which involves coordination with MidAmerican's accounts payable department and
- Verification, where appropriate, that the project installation meets program guidelines.

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 provide ongoing utility bill savings throughout the life of the installed equipment and
- ***Confidence*** in their efficiency investment through MidAmerican's independent verification of customers' cost and benefit analyses used to estimate energy savings.

4. Customer Targets

This program applies to all nonresidential customers in both new and existing buildings. Measures covered by the Nonresidential Equipment program are not eligible for the program. Transportation gas customers with daily metering are ineligible for prescriptive gas measures; customers with monthly metering (which covers most schools using transportation tariffs) are eligible.

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

- Large commercial and industrial customers served by energy consultants who can help them identify attractive project opportunities and
- Customers with equipment that lends itself to customized specifications (e.g., customers with compressed air or refrigeration systems).

Table 1 outlines customer eligibility requirements.

**Table 1
Customer Eligibility Parameters**

	Electric Equipment	Gas Equipment
Customer Class	Nonresidential electric rates	Nonresidential gas rates; Gas transportation customers with daily metering are ineligible
Customer Status	Customer building or business owners; Landlords of customers	Customer building or business owners; Landlords of customers
Building Type	All	All
Business 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

The program relies on a wide variety of trade allies for program delivery, including:

- Engineering firms qualified to specify custom-efficiency improvements,

- Companies qualified to specify and install windows, insulation and other building shell improvements,
- Companies qualified to specify and install energy management systems and other building controls and
- Lighting and mechanical contractors qualified to specify and install complex or very large systems not covered by the Nonresidential Equipment program.

6. Eligible Measures

All energy-efficiency measures not covered by the Nonresidential Equipment program are potentially eligible for the program. The most common systems include:

- Low-E windows,
- Building insulation,
- Energy management systems and other building control systems,
- Complex lighting systems,
- Heat-recovery measures and
- Large boilers.

7. Financial Incentives

In the Iowa program, MidAmerican provides financial incentives that 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. Rebates also are capped to encourage customers to concentrate on the most cost-effective measures. MidAmerican expects rebates in the South Dakota Nonresidential Custom program would follow the same approach. However, MidAmerican performs an annual review of rebate levels and reserves the right to adjust rebates in the future as market conditions change.

MidAmerican also requires pre-approval of custom projects in advance of customer purchase and installation. MidAmerican may waive the pre-approval requirement where customers can exhibit circumstances that make advance application impractical (e.g., an emergency equipment failure). MidAmerican may lower incentives for customers who do not receive pre-approval.

The program also may offer financial incentives for analysis support to customers installing measures that are new, unusual or otherwise in need of specialized energy analysis. In general, MidAmerican provides analysis support by directing the program contractor to perform analyses that are funded in whole or in part by MidAmerican. MidAmerican also may authorize and fund analyses by other qualified engineers or certified energy managers, including qualified customer staff.

8. Promotion

The promotional strategy for this program is to leverage the promotion and delivery efforts of other programs. The program will be identified and described in general terms in MidAmerican's general promotional materials as well as materials developed for individual programs. In addition, program-specific materials will be developed and distributed to interested customers identified through other programs. Customers who do not qualify for other programs (or who are not able to follow through with the requirements of other programs) also will be steered to the program as an alternate delivery option.

MidAmerican also will promote the program through personal contacts for selected target markets. These include customers served by trade allies for common measures, the largest customers served by MidAmerican's staff of energy consultants and trade ally firms who specify and install custom measures.

9. Participation

Table 2 provides program participation assumptions.

**Table 2
Participation**

	2008	2009	2010
Electric Measures*			
Low-E Windows (w/AC)	-	-	9
Natural Gas Measures*			
Large Boilers	-	-	2
Insulation (w/Gas Heat)	-	-	4
Low-E Windows (w/Gas Heat)	-	-	187
Building Controls	-	-	1
Heat Recovery	-	-	1

*Based on Iowa experience, these are the measures most likely to occur in South Dakota. Other measures are eligible and also are likely to occur in South Dakota.

10. Energy and Demand Savings

Table 3 provides energy and demand savings goals.

**Table 3
Cumulative Energy and Demand Savings**

	2008	2009	2010
Electric Impacts			
Annual Energy (kWh)	-	-	948
Peak Demand (kW)	-	-	1
Natural Gas Impacts			
Annual Energy (therms)	-	-	12,400
Peak-Day Demand (therms)	-	-	330

11. Budget

Table 4 provides program budget assumptions.

**Table 4
Budget**

	2008	2009	2010
Electric Budget			
Planning & Design	\$0	\$0	\$0
Administration	\$0	\$0	\$3,000
Advertising & Promotion	\$0	\$0	\$0
Customer Incentives	\$0	\$0	\$0
Monitoring & Evaluation	\$0	\$0	\$0
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Electric Total	\$0	\$0	\$3,000
Natural Gas Budget			
Planning & Design	\$0	\$0	\$1,000
Administration	\$0	\$0	\$18,000
Advertising & Promotion	\$0	\$0	\$6,000
Customer Incentives	\$0	\$0	\$21,000
Monitoring & Evaluation	\$0	\$0	\$6,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Natural Gas Total	\$0	\$0	\$52,000
Total Budget			
Planning & Design	\$0	\$0	\$1,000
Administration	\$0	\$0	\$21,000
Advertising & Promotion	\$0	\$0	\$6,000
Customer Incentives	\$0	\$0	\$21,000
Monitoring & Evaluation	\$0	\$0	\$6,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Total	\$0	\$0	\$55,000

12. Cost-Effectiveness Results

Table 5 provides program cost-effectiveness results.

Table 5
Cost-Effectiveness Results*

Lifecycle Societal Benefits (NPV)	\$ 403,043
Lifecycle Societal Costs (NPV)	\$ 303,764
Net Societal Benefits (NPV)	\$ 99,279
Benefit-Cost Ratio	1.33

*Includes lifecycle cost and benefits of new participants added from 2010-12, to allow programs to reach full participation.