

EFFICIENCY CITIES NETWORK

September 1, 2009

3pm EDT

Overcoming the split incentive and reaching renters

Moderators:

Joel Rogers, Director of Center on Wisconsin Strategy (COWS)

Satya Rhodes-Conway, Administrator of Efficiency Cities Network (ECN)

Agenda

- Welcome and intro (5 min)
- Presenters (30 min)
 - David Pogue, CB Richard Ellis
 - Michael Volker, Midwest Energy
 - John Kuberra, HSBC
- Questions and discussion (50 min)
- Next call
 - Tuesday September 15, 3PM EDT, Aggregation and Efficiencies of Scale - TENTATIVE



How\$mart[®] – Investing in Energy Efficiency

Michael Volker

Director of Regulatory & Energy Services

Midwest Energy, Inc.

What is How\$mart[®]?

- Not the same as 1980s utility financing
- Modeled after Pay-As-You-Save[®] (PAYS[®])
 - Payback assigned to meter, not customer
 - Utility service: charge on monthly bill; disconnection for non-payment
 - Independent certification of savings estimates

PAYS[®] concept developed by Energy Efficiency Institute
Colchester, VT

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How \$mart[®] investments in energy efficiency become basic utility service.

1. No up-front capital from customer
2. Utility repaid via surcharge on monthly bill
3. Surcharge is less than estimated savings
4. Repayment is tied by tariff to the location, not the customer



How\$mart[®] Overcomes Market Barriers

- No first cost – ideal for low income
- No additional debt obligation
- Removes landlord/tenant split incentives
- Removes builder/buyer split incentives.
- Improves contractor/customer education



How\$mart[®] Program Steps

1. Customer requests How\$mart[®] audit
2. Customer pre-screened, audit scheduled
3. Audit completed, Conservation Plan developed – measures identified
4. Contractors bid to complete efficiency measures



How\$mart[®] Program Steps (cont.)

5. Contractor(s) complete work
6. All forms signed
7. Midwest Energy pays Contractor(s)
8. How\$mart[®] charges added to monthly bill
9. Program evaluation



Participant Requirements

- Customer in good standing
- Sign the Conservation Plan
- Sign appropriate agreements
 - “Owned-Property Agreement”, or
 - “Rented/Leased Property Agreement”



How\$mart[®] Products

- Thermal Shell – Insulation, Caulking, Sealing, etc.
- HVAC Equipment – High Efficiency Furnaces, AC, etc. (Minimum AFUE = 92%, Minimum SEER = 14)
- Others? Must be a “permanent” part of a permanent structure – (No CFLs, Washer/Dryers, etc.; only for permanently anchored homes)

How\$mart[®] Results

Through July, 2009 (24 months)

- 724 Conservation Plans developed
- 206 completed projects
- \$1,034,000 utility investment (\$5,021/project)
 - Plus program fees (\$255/project)
 - Plus \$271,000 from Customers (\$1,314/project)
- Average How\$mart[®] charge = \$40.36/mo.
- Average estimated savings = \$48.38/mo.

How\$mart® Results

Through July, 2009 (24 months)

- Average Air Conditioner SEER: 14.3
- Average Furnace AFUE: 92.6%
- Electric savings: 412,000 kWh/year
(41 homes; ~6,576 tons CO₂ over 20 years)
- Gas/Propane savings: 49,000 th/year
(62 homes; ~5,733 tons CO₂ over 20 years)



Miscellaneous Safeguards

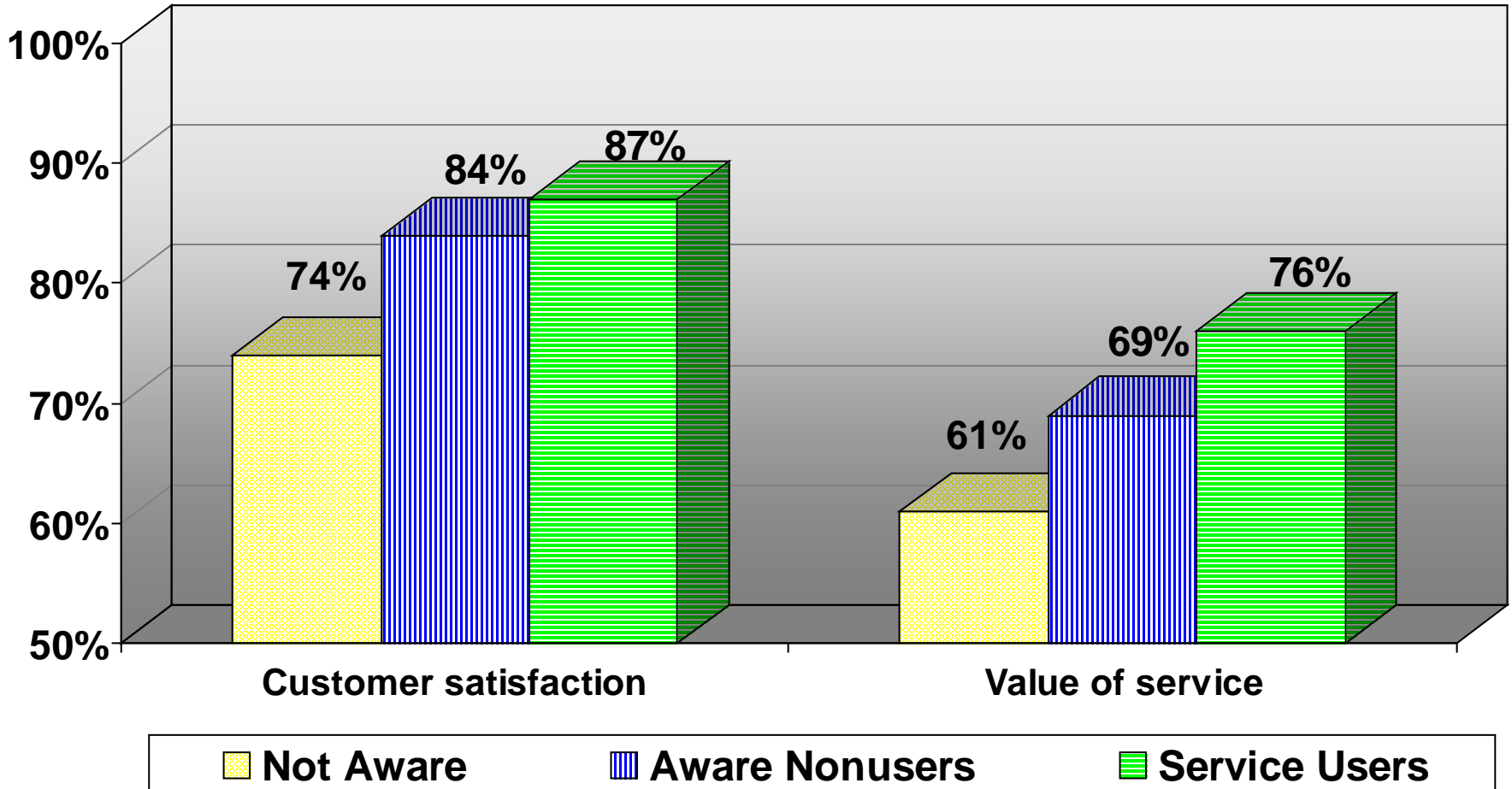
- UCC financing statement filed (for notice purposes to next customer)
- \$20,000+ projects require security instrument
- Utility can limit annual capital investment
- Structure can be rejected for code or “expected life” reasons

Program Interest

- How\$mart® is the first voluntary application of the PAYS® model
- Many, many inquiries (Regulatory Commissions, National Labs, Environmental Groups, Utilities, Consultants, Other groups of interest)
- 2 Georgia coops pursuing How\$mart®
- Environmental Defense Fund – 2009
Environmental Innovations in Business
- Efficiency Kansas

Energy Services Survey

Overall Satisfaction and Value Perception



Customers responding somewhat or very high (8-10 ratings)



How\$mart[®] Summary

- How\$mart[®] is an extension of utility service beyond the meter
- Part of overall energy services strategy
- Customer Satisfaction and Value Perception improved
- Legislators & Regulators support the concept
- Energy savings are verifiable and significant

How\$mart[®] Questions?

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