

Small Commercial Audit Program

1. Program Description

This program encourages small business customers to adopt comprehensive energy-efficiency strategies by providing online energy audits, more extensive on-site energy audits, direct installation of low-cost measures and recommendations for additional measures. The program also provides financial incentives that are more generous than those offered under the less comprehensive Nonresidential Equipment and Nonresidential Custom programs. In addition, the program covers the nonresidential portion of the multifamily buildings addressed by the Residential Audit program (i.e., covering master-metered apartments as well as common areas and building systems served on nonresidential tariffs). The program is marketed under the service mark BusinessCheckSM. MidAmerican will implement the program in South Dakota beginning in 2008.

2. Operations

The program is delivered through two program contractors: one more experienced with energy systems installed in large buildings and more complex business operations and another more experienced with smaller buildings. The contractors provide a range of services, including:

- No-cost audits that provide comprehensive analyses of buildings and equipment systems as well as free, immediate installation of low-cost measures such as compact fluorescent lamps, LED exit lights, water heater efficiency measures and simple controls,
- Recommendations for energy-efficiency projects appropriate for small businesses, focusing primarily on lighting and insulation projects and

- Verification, on a sampling basis, of the installation of lighting and insulation measures installed by customers.

In addition, one of the program contractors also performs administrative functions such as program enrollment, data tracking and coordination of rebate distribution with MidAmerican's accounts payable department.

Where appropriate, the program also coordinates with the multifamily component of the Residential Audit program. MidAmerican serves multifamily buildings in a unified, comprehensive manner, addressing measures for central building systems such as insulation, windows, heating and cooling systems and common-area lighting, as well as measures appropriate to individual living units such as compact fluorescent lamps and individual heating and cooling systems. MidAmerican tracks the program efforts for individually-metered apartments (residential tariffs) through the residential program, and efforts for master-metered units and common areas (nonresidential tariffs) through the nonresidential program.

The program also offers an online energy audit tool to give customers an opportunity to evaluate their own energy usage and opportunities for efficiency improvements. Customers using the online tool also can request an on-site audit by completing a simple Web form.

3. Value Proposition

Customers participating in the program receive these four main benefits:

- *Trustworthy energy-savings advice from trained auditors and through an online audit,*
- *Immediate savings* through the direct installation of low-cost lighting, water heating and other energy-saving measures,
- *Significant savings, increased comfort and increased property values* through insulation, lighting and additional efficiency projects and

- **Convenience** by reliance on the program contractor to schedule audits fitting their schedule, ongoing reminders to ensure follow-through on savings recommendations and quality control over efficiency installations.

4. Customer Targets

This program targets small commercial customers (owners and tenants) in existing commercial buildings. 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. The program uses building size (generally, less than 25,000 square feet) and tariff (those used by smaller business customers) to target and qualify customers. However the program manager also uses discretion to determine whether this or other programs would better serve customer needs. Table 1 outlines customer eligibility requirements.

**Table 1
Customer Eligibility Parameters**

	On-Site Audit	Direct Installation Measures	Project Rebates
Customer Class	Nonresidential rates serving smaller customers; MidAmerican must provide heating fuel	Nonresidential rates serving smaller customers; MidAmerican must provide fuel saved by measure	Nonresidential tariff rates serving smaller customers; MidAmerican must provide fuel saved by measure
Customer Status	Building owners; Landlords; Tenants	Building owners; Landlords; Tenants	Building owners; Landlords; Tenants
Building Type	All	All	All
Business Type	All	All	All
Building Vintage	Existing buildings	Existing buildings	Existing buildings
Geography	South Dakota	South Dakota	South Dakota
Size	Less than 25,000 sq. ft.	Less than 25,000 sq. ft.	Less than 25,000 sq. ft.
Other	N/A	N/A	Pre-qualified during on-site audit

5. Trade Ally Targets

Key trade allies for this program include the contractors that deliver the follow-up projects identified during the audit (predominantly lighting and insulation contractors).

6. Eligible Measures

All energy-saving measures potentially are eligible for the program. Typical measures installed during the audit include compact fluorescent lamps, LED exit signs, occupancy sensors, programmable thermostats, water heater tank and pipe insulation, low-flow plumbing fixtures, vending machine controls and high-pressure rinse sprayers. Additional projects typically include insulation, T-8 and T-5 lighting systems, lighting controls, daylighting, custom task lighting, windows, efficient heating, ventilation and air conditioning (HVAC) equipment, HVAC controls, commercial kitchen equipment, efficient refrigeration systems and energy management systems.

7. Financial Incentives

To encourage customers to participate in the program and invest in the comprehensive solutions recommended by the auditors in this difficult-to-reach segment, the program provides financial incentives that are larger than those available for the less comprehensive Equipment and Custom programs.

Two types of incentives are offered through this program.

- **Full subsidies** are offered for the audit itself as well as the low-cost measures directly installed during the audit. The strategy is to provide a source of immediate savings and to fully overcome market barriers concerning split incentives (i.e., landlords own the buildings but tenants pay utility bills), cost and perceived quality.
- **Rebates** are offered for the more extensive projects identified during the audit, including insulation, lighting and other measures. Rebates up to 70 percent of the installed cost of

high-efficiency fluorescent lighting and upgraded insulation are offered to participants.

Other efficiency projects are paid with incentives consistent with the Nonresidential Equipment and Nonresidential Custom programs.

MidAmerican performs an annual review of qualifying equipment and reserves the right to adjust measures and rebate levels in the future as market conditions change.

8. Promotion

The promotional strategy for this program focuses on direct mailing to target likely participants. The ideal customers for this program are those who are:

- Motivated to reduce energy use,
- Aware of the benefits of upgrading to energy-efficient measures,
- In older buildings with T-12 lighting and no ceiling or roof insulation,
- Using electricity a large number of hours per year,
- In buildings with intensive energy usage and
- Building owners (especially those with multiple buildings).

While it is difficult to capture these features in a direct mailing, the following types of customers will be targeted:

- Energy-intensive business segments, such as restaurants and smaller grocery stores,
- Smaller local chains with local or regional ownership and decision-making,
- Businesses in which the financial decision-maker is able to be present at the audit and
- Businesses with cost-effective energy-efficiency opportunities.

In addition, MidAmerican will highlight the program in customer newsletters provided to all South Dakota nonresidential customers and conduct limited newspaper and Internet advertising.

9. Participation

Table 2 provides program participation assumptions.

**Table 2
Participation**

	2008	2009	2010
Electric Measures*			
Audits (Electric Heat Customers)	2	2	4
Direct-Install Measures (Electric)	30	35	57
Follow-Up Measures (Electric)	19	22	33
Natural Gas Measures			
Audits (Gas Heat Customers)	61	73	122
Direct-Install Measures (Gas)	418	498	828
Follow-Up Measures (Gas)	31	36	59

*Some electric measures come from audits of gas-heat customers.

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)	10,612	22,031	37,564
Peak Demand (kW)	3	7	11
Natural Gas Impacts			
Annual Energy (therms)	15,680	33,760	63,890
Peak-Day Demand (therms)	310	680	1,280

11. Budget

Table 4 provides program budget assumptions.

**Table 4
Budget**

	2008	2009	2010
Electric Budget			
Planning & Design	\$2,000	\$0	\$0
Administration	\$2,000	\$1,000	\$1,000
Advertising & Promotion	\$0	\$0	\$0
Customer Incentives	\$3,000	\$3,000	\$4,000
Monitoring & Evaluation	\$0	\$0	\$0
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Electric Total	\$7,000	\$4,000	\$5,000
Natural Gas Budget			
Planning & Design	\$59,000	\$2,000	\$2,000
Administration	\$27,000	\$27,000	\$28,000
Advertising & Promotion	\$9,000	\$9,000	\$9,000
Customer Incentives	\$46,000	\$55,000	\$95,000
Monitoring & Evaluation	\$7,000	\$7,000	\$8,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Natural Gas Total	\$148,000	\$100,000	\$142,000
Total Budget			
Planning & Design	\$61,000	\$2,000	\$2,000
Administration	\$29,000	\$28,000	\$29,000
Advertising & Promotion	\$9,000	\$9,000	\$9,000
Customer Incentives	\$49,000	\$58,000	\$99,000
Monitoring & Evaluation	\$7,000	\$7,000	\$8,000
Equipment	\$0	\$0	\$0
Installation	\$0	\$0	\$0
Total	\$155,000	\$104,000	\$147,000

12. Cost-Effectiveness Results

Table 5 provides program cost-effectiveness results.

Table 5
Cost-Effectiveness Results

Lifecycle Societal Benefits (NPV)	\$ 655,663
Lifecycle Societal Costs (NPV)	\$ 547,181
Net Societal Benefits (NPV)	\$ 108,482
Benefit-Cost Ratio	1.20

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