

Breaking Down the Barriers to Efficiency Improvements in the Rental Housing Market: One Utility's Approach

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ABSTRACT

In 2007, Midwest Energy, Inc (Midwest Energy or the Company) debuted its How\$martSM Program. This program, offered by a regulated rural cooperative utility with 48,000 electric and 41,000 gas customers in western Kansas, offers an innovative way in which to bypass barriers to energy efficiency improvements including in the rental market. The idea is popular with regulators and legislators in the state as Midwest Energy has been approached by the Kansas Corporation Commission (KCC) and asked to share its experiences with other regulated utilities in the state. How\$martSM is the first voluntary application of the Pay-As-You-Save® (also known as PAYS®) concept developed by PAYS America. Since the initial presentation at last year's NESC meeting, Midwest Energy has received about 100 inquiries from groups interested in this type of program, including Vermont Energy Investment Corporation, Focus on Energy (WI), Progress Energy, The Sierra Club, and many more.

How\$martSM is an energy efficiency program designed to overcome market barriers to efficient investment in energy conservation. As an electric and gas cooperative Midwest Energy has been active in providing energy efficiency services to its members for decades and has particular expertise in the provision of comprehensive energy audits for small customers. Despite efforts to advise customers on ways to improve the energy efficiency of homes and small businesses, Midwest Energy consistently witnessed "failure to respond" to its efficiency recommendations due to market barriers.

The development of the How\$martSM program is the result of a collaborative effort between regulators, contractors, social service agencies, and the Company to overcome many of the common barriers observed: up-front costs, capital constraints, long-term payback, split incentives (i.e. conflicting landlord/tenant motivations), and consumer education. How\$martSM essentially creates an energy services company (ESCO) for small customers similar to that developed by PaysAmerica with its PAYS® programs.

How\$martSM began in August of 2007 as a pilot program offered in four counties. In August of 2008, the Company received approval to open the program to the full 41 county service area. Interest in the program is strong in the residential market including with landlords who see this as a way of improving their rental properties without raising rent to their tenants. Midwest Energy has made minor adjustments to the program and has begun its first marketing efforts to the full 41 counties.

Introduction

Midwest Energy, Inc. (Midwest Energy) is an electric and gas cooperative that serves 48,000 electric and 42,000 gas customers in central and western Kansas. Midwest Energy is different than a typical electric distribution cooperative in that it is vertically integrated – Midwest Energy has its own transmission system and either generates electricity from owned sources or procures it contractually for its members. In contrast, Midwest Energy's gas system is not vertically integrated, containing no upstream transmission "pipes" or gas production. It is a local distribution company (LDC) in the traditional sense. The economy of the area is driven by agriculture and oil and gas production with recent growth from grain-based ethanol production. The largest city served is Hays, Kansas with a population of roughly 20,000. The service area population is expected to stabilize after declining for

years. Internal growth of the company has been driven by a series of acquisitions of cooperative, municipal, and investor-owned utility properties.

Table 1: Electric Sales Profile

Electric	2007	2006
Number of Meters	47,719	46,243
Peak Load, MW	336	338
Retail Energy Sales, kWh	1,231,126,420	1,191,749,255
Total Energy Sales, kWh	1,398,414,643	1,370,957,813

Source: <http://www.mwenergy.com>

Table 2: Natural Gas Sales Profile

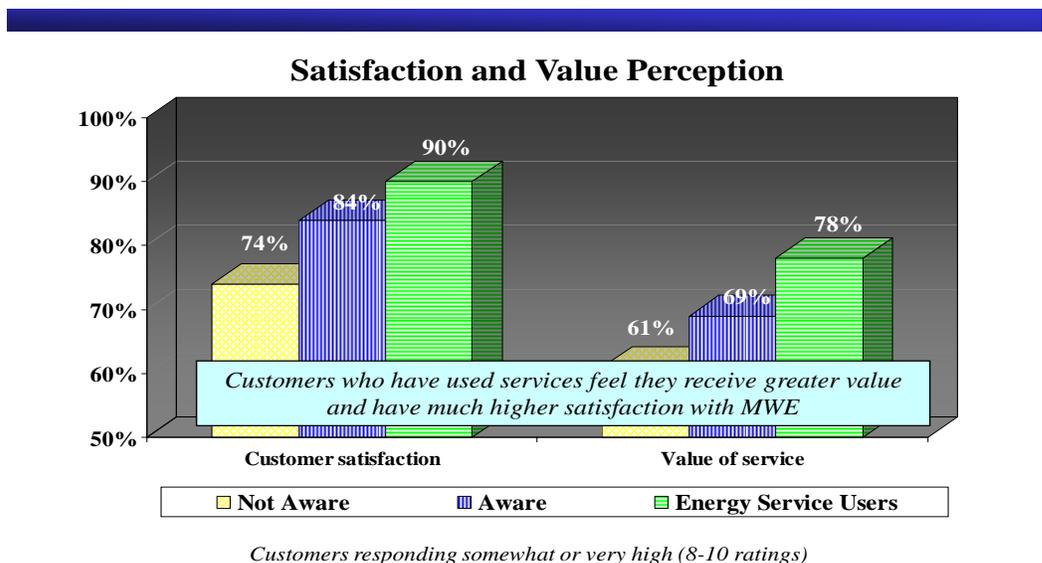
Natural Gas	2007	2006
Number of Meters	41,296	41,340
Total Deliveries, MMBtu	10,621,251	10,646,518

Source: <http://www.mwenergy.com>

Despite the rural nature of the service area, Midwest Energy is an aggressive provider of energy efficiency services compared to most utilities. Like many utilities, Midwest Energy began providing efficiency services in the early 1980s. However, the company has always viewed the provision of energy efficiency services as a way to effectively manage high bill complaints and improve customer satisfaction - so it never stopped offering these services. Studies conducted by the company support this view (Chart 1). Indeed, even being aware that the services are available from the company results in significantly higher customer satisfaction and perceived value.

Chart 1: Impact of Energy Conservation Services on Customer Satisfaction

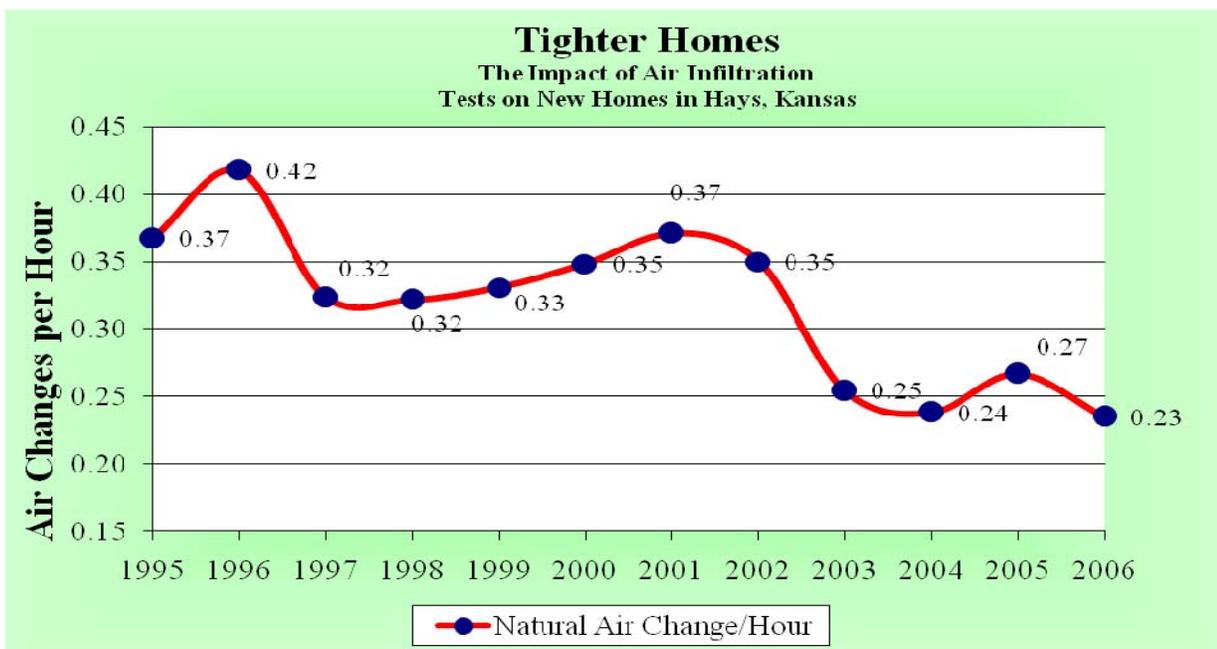
Energy Services Survey
Satisfaction and Value Perception



Midwest Energy has developed specialized expertise in providing energy audits for residential and small commercial customers. The company employs the only certified energy raters in western Kansas who conduct a full range of home and small business auditing services. These include: walk-through inspections, air infiltration studies, infrared scans, duct leakage tests, and heating, ventilation, and air conditioning (HVAC) sizing analysis.

The staff also conducts air infiltration tests for all new homes in the City of Hays as a requirement for the City’s certificate of occupancy. Originally, the audits were intended to ensure combustion safety associated with new home HVAC systems. Over time, more emphasis has been placed on energy efficiency. A side effect of conducting the air infiltration tests has been the development of a strong relationship with contractors. Most building and HVAC contractors in the Hays area view Midwest Energy as a partner and often utilize company HVAC sizing services for their customers. The result has been tighter, more comfortable, safer, and more energy efficient new homes in the Hays area. Chart 2 illustrates the decreasing air infiltration in new homes tested Hays since 1995 – the year Hays began requiring the air infiltration tests on new homes.

Chart 2: Improving Efficiency of New Homes in Hays, Kansas



Despite Midwest Energy’s efforts, inefficient residential and small commercial structures still exist in the service area. The average age of homes in the service area is 34 years, meaning most homes were built long before energy efficiency was a priority. In addition, company employees often audited the same structure more than once, making the same efficiency improvement recommendations without implementation of the measures.¹ Unfortunately, although audits were conducted, the rental and low income households often faced barriers preventing them from making the recommended improvements. Major impetus for the creation of the How\$martSM program came about because of the need to

¹ Beginning in 2005, the City of Hays began allocating above budget utility franchise fees – due mostly to high gas commodity costs – to a special fund to aid low-income households with their utility bills. Benefactors were required to have an energy audit from Midwest Energy. This policy, while leading to the recognition of how energy inefficient low-income housing is, has not yet led to efficiency improvements.

overcome market barriers often faced in rental and low income markets.

Midwest Energy's How\$martSM Program

How\$martSM is a program that ties investments in energy efficiency to basic utility service. The basis of the How\$martSM program is the Pay-As-You-Save® concept marketed by Pays America.² The idea is for the utility to create an ESCO for residential or small commercial applications. According to Howard Lachman, President of the Energy Efficiency Institute that developed PAYS®, Midwest Energy is the first utility in the world to voluntarily adopt the Pay-As-You-Save® concept. Although conceptually similar to PAYS®, How\$martSM has been tailored to fit Midwest Energy's unique service area characteristics. For example, Midwest Energy allows more aggressive investment in efficiency measures relative to PAYS®. The Company has allowed investment in efficiency measures that result in How\$martSM charges equal to 90 percent of the estimated savings rather than just 75 percent under PAYS®. Midwest Energy only allows efficiency measures that are permanently attached to the foundation meaning virtually all the improvements are related to space or water conditioning.³ The essential elements of How\$martSM however, are similar to PAYS®:

1. No upfront capital required by customer;
2. Efficiency improvements are paid for through a surcharge on the utility bill;
3. The surcharge is tied to the location, not to the individual customer;
4. How\$martSM is a tariffed utility service giving the utility the ability to disconnect for non-payment.

Energy Efficiency Bank?

Under How\$martSM, Midwest Energy provides capital for investment in efficiency improvements. Some suggest this makes the utility a bank, and How\$mart is simply a financing program. Midwest Energy views How\$mart as a logical extension of rate base beyond the customer meter. The company's roles include:

- Conducting a comprehensive energy audit: The audit includes any or all of an air infiltration test, infrared scan, duct leakage test, and HVAC system analysis.
- Developing recommendations for improvements: Utilizing energy modeling software, estimates of energy savings are calculated and calibrated back to actual usage history for the structure. Typically, several options for improvements are available.

² PAYS® or Pay-As-You-Save® are registered trademarks of the Energy Efficiency Institute (EEI), of Colchester Vermont. PAYS® was developed by EEI in 1999 as a market –based response that would encourage customer investment in energy efficiency at a time when national funding in efficiency began to diminish.

³ The biggest difference between How\$martSM and PAYS® is that Midwest Energy found it untenable to suspend How\$mart charges to customers in the event that a How\$martSM measure fails to work at any point in time during the period of time when How\$mart charges apply.

- Economic analysis: The Company models the economic efficiency of the improvements by entering the energy savings of energy efficiency options into a financial model.
- Control contractors: Midwest Energy ensures that contractors participating in the program agree to certain standards.
- Quality control: Midwest Energy is responsible for follow-up and selective inspection of completed efficiency measures. Ultimately, Midwest Energy will not come between the customer and the contractor other than as an informal arbiter. However, Midwest Energy will prevent contractors from further participation for shoddy or improper work that doesn't deliver the recommended work scope projected energy cost savings.
- Intermediary: Without taking a position or playing the guarantor, Midwest Energy believes the role as a first intermediary between parties minimizes disputes and maximizes the potential for dispute resolution at least cost.

The company has allowed for contributions by building owners to the overall cost of the project if the improvement is not deemed "economic." For example, the replacement of a 60 percent efficient furnace with 96 percent efficient furnace may not be paid for completely by the energy savings in a particular application. But, if the building owner contributes additional funds, then the savings on the energy bill can become at least 10 percent greater than the required How\$martSM charge. This approach has proven successful in convincing building owners to upgrade their equipment to high efficiency HVAC rather than simply replacing installations with standard efficiency equipment. Of the 95 projects completed through November 30, 2008, building owners on average had contributed approximately 22 percent toward the total cost of the efficiency measures.

How\$martSM Utility Service

How\$martSM is a tariffed utility service. Like energy sales and delivery, How\$mart charges are included as a line item on the utility bill. Like other utility services, the company has the right to disconnect customers for non-payment of How\$martSM charges subject to the Terms and Conditions of the Company and Billing Standards of the KCC.⁴

How the Program Works

The How\$martSM program depends on strong symbiotic relationships between participating contractors and the utility. For a number of years, contractors have used Midwest Energy for HVAC system sizing calculations, technical aid, and as a trusted third party to recommend efficiency savings to end-use customers. Contractors have also consistently asked Midwest Energy to develop finance options particularly for sales of high efficiency equipment and services.

This is a customer-initiated program. Customers contact the company regarding bill concerns or complaints. According to its recently completed Residential Appliance Saturation Study, customers

⁴ In particular, the "Cold Weather Rule" – The Kansas Corporation Commission, Electric, Natural Gas, and Water Billing Standards, Section V. The Cold Weather Rule prohibits the utility from disconnecting customers between November 1 and March 31 if outside temperatures are expected to drop to less than 35 degrees anytime within the next 48 hours. Essentially, this means disconnecting for non-payment does not occur during the winter months.

view Midwest Energy as the preferred provider of energy efficient information.⁵ Contractors and social service agencies also often refer customers to the program, especially when financing high efficiency is an issue.

After the initial contact, the customers receive a description of the How\$martSM program and a high-level screening of energy usage. In most cases, this leads to a comprehensive onsite audit, which may include the following:

- an air infiltration test,
- infrared scan,
- duct leakage test, and
- furnace combustion test.

The results of the audit lead to the development of a preliminary Conservation Plan which includes recommended efficiency improvements, estimated costs of those improvements, and energy savings. Next, customers solicit participating contractors to provide binding bids for recommended improvements in the preliminary Conservation Plan. Once estimates are received, the Conservation Plan is finalized with total costs of the improvements, estimated utility bill savings, and the required How\$martSM monthly charge to be added to the utility bill. The How\$martSM charge is the payment stream required for full recovery of the company's investment in the efficiency measures discounted at the company's cost of capital. The maximum duration of How\$martSM is limited to 15 years or 75 percent of the expected life of the measure, whichever is less. The maximum amount of the How\$martSM charge is limited to 90 percent of the estimated energy savings during the duration of the charge. It is worth noting that the How\$martSM charge, like the energy efficiency savings, is tied to the structure and not to the customer. If the customer is a tenant, the charge will likely continue on to the succeeding tenant until it is paid in full. If the structure owner sells the structure, the acquiring customer will benefit from the installed efficiency measures and assume the How\$martSM charge for the remaining duration of the agreement. Written notice is required of the landlord or selling party before How\$martSM charges are transferred. In the event that written notice is not provided by the landlord, the How\$martSM obligation reverts to the landlord for the duration of the lease. If written notice is not provided by a seller of a property with How\$martSM obligations, the balance of the obligation is due from the seller within 30 days of the sale of the property.

At this point, the selected contractor(s) will complete the prescribed work. Upon completion, building owners and tenants must sign off on the completed work. Forms specifically designed for projects when the property is owned or rented must be completed. These include required notification of new tenants or owners that How\$martSM charges exist and will be included on their utility bill. In addition, the selected contractor must also be in good standing and have a signed Master Contractor Agreement on file with the Company. Midwest Energy will pay the contractor upon sign-off by the customer that work has been satisfactorily completed. Midwest Energy's role, as a neutral third party to the contractor and customer, is essential for settling disputes and for quality control. Since a third party is involved, there is a check and balance to ensure that projects have been completed as contracted and

⁵ The Midwest Energy Residential Appliance Saturation Survey was conducted in April, 2007. Results showed that over 37 percent of respondents said Midwest Energy was the first contact they would make for energy efficiency information. The second most highly rated source was the internet at 25 percent.

that resulting efficiency savings will be achieved. In the month succeeding contractor payment, a How\$martSM charge will appear on the customer's utility bill.

Contractor Recruitment Strategies

Midwest Energy has developed strong relationships with contractors over time. The primary strategy in developing relationship has been to offer local training opportunities, thereby increasing the competence of the contractor as well as reducing training costs. Typically, Midwest Energy has brought in a well-known speaker for training on specific topics. Recent training sessions have included:

- Building Envelope (Doug Rye – “The King of Caulk and Talk”),
- New Home Building Strategies (Mark LaLiberte, the Energy and Environment Building Association),
- Furnace Safety (John Krigger), and
- House Pressures (Doug Walter).

Typically, these training sessions are attended by 50-100 contractors. In addition, Midwest Energy sponsors annual lunches with broad topics from building codes to equipment sizing. Midwest Energy takes every opportunity these sessions bring to “spread the word” regarding its efficiency service offerings.

In addition to training, Midwest Energy has provided for at least three informational luncheons regarding the How\$martSM program in locations across the service area. Invitees include HVAC contractors, builders, housing inspectors, and other potential trade allies. By explaining the benefits of the How\$martSM program to the allies, the Company has not had much need to market the program directly to customers.

Results and Achievements

Approval of the How\$martSM four-county pilot program occurred on August 16th, 2007. The program was converted from a pilot to a full service area-wide program on September 5th, 2008. Since inception, the following results have been achieved (as of December 1, 2008):

- 98 completed How\$martSM projects.
- 368 comprehensive energy audits completed.
- \$464,000 of How\$martSM funded home improvements to date.
- \$58,000 estimated annual energy savings.
- Estimated 221,000 kWh electricity, 1,900 MMBtu natural gas, and 575 gallons of propane saved per year.

In addition to the estimated savings, the company has made usage comparisons for year-before and year-after project completion. Since only limited data is available, winter gas usage and summer electricity usage for the heating or cooling season-before or season-after project completion were compared. In this way, the whole building heating and cooling efficiency improvement, the focus of How\$martSM, could be analyzed.

Only eight projects were completed by December, 2007 such that usage comparisons could be made between the winter of 2008 (billing months of January-May) and the winter of 2007. The comparison required the same customer, living in the same premise throughout both winters, who made thermal shell and/or gas furnace replacements. Note: eight of the twelve projects completed by year-end 2007 could be compared. Although far from a statistically reliable sample, results were encouraging. Despite 17 percent more heating degree days in 2008, natural gas usage was down by 17 percent compared to the prior year. Using econometric modeling to estimate sensitivity per heating degree day, customer usage could be adjusted for differences in weather. After adjustment, customers used 28 percent less natural gas in the five winter months after How\$martSM project completion. Supporting the significant gas savings is the fact that the average gas furnace installed under this program has an AFUE of 92.4 percent. The furnaces being replaced were well below even the minimum standard allowed today (80 percent).

Regarding summer electricity consumption, results are again not statistically reliable, but encouraging. Eighteen projects could be compared where the same customer, living in the same location, had completed thermal shell and/or air conditioning equipment replacement. The electricity usage for the billing months of June thru October 2007 and 2008 were compared. For 2008, usage declined by 20 percent from 2007. Both years had relatively mild summers, although 2007 was somewhat warmer than 2008. After utilizing econometric analysis to weather normalize, results show that summer electricity usage was down by 15 percent in 2008 compared to 2007. Air conditioning systems being replaced had SEER ratings typically around 8, well below the current minimum standard of 13. Installed systems had an average SEER rating of 14.3.

Efficiency Investment

Midwest Energy has invested \$464,000 toward the installed efficiency measures (not including program fees). This understates the value of these improvements. One provision of the program allows for customers to fund part of a How\$martSM project not justified by the energy savings alone. In this way, Midwest Energy has “unbundled” improvement projects into energy efficiency (funded by Midwest Energy) and non-efficiency construction projects. On average, customers have funded almost 22 percent of the cost of the projects. Total cost of the projects completed including the customer contribution to the project cost (but not including program fees) is over \$595,000.

Barriers Removed

The promise of this program has been to remove barriers in the rental housing market. Although it is still too early to have a significant sample size, results to date suggest the program is meeting its goal. Thirteen of the 94 completed residential projects (13.8 percent) are rental homes. This may seem low, but is right in line with the demographic make-up of the service area where approximately 14.6

percent of customers rent their homes⁶. Anecdotally, several landlords have bought in to the program late with a number of rental properties awaiting completion.

The rental market was slow to catch on initially. The Company learned that many landlords in the service area invest and divest in rental properties relatively quickly. Initially, the Company had a policy discouraging early payoff of How\$martSM obligations by including an interest penalty for early payoff. Customers wishing to pay off their How\$martSM balance early could do so but their payoff would be the monthly payment amount times the remaining number of payments, not just the remaining principal. This bothered several landlords. One stated “we don’t want a How\$martSM obligation preventing us from turning over a property”. Although they understood that the obligation passes on to the purchasing party (with notification), they were hypersensitive to obligations of any sort tied to a property. In short, they wanted to be able to pay off the How\$martSM obligation without interest penalty.

The Company’s early payoff policy was one of convenience. The Company did not anticipate landlords (or other customers) wishing to pay off early when the interest rate embedded in the How\$martSM charge was favorable (currently 4 percent). Further, the Company’s billing system has some quirks, including its ability to manage early payoffs without interest penalty. Upon meeting with landlords, the Company learned that the policy was an issue to them and negatively impacted their decision on whether to participate in the program. The Company has overcome the billing system issue and now allows customers to pay off the principal balance at any time without interest penalty. Landlords have caught on and are more willing to participate.

So far, the 13 How\$martSM rental properties are owned by nine different landlords. Each of these landlords has multiple properties increasing the potential for more rental projects. Again, there are several rental projects awaiting completion. A few of the landlords are really becoming ambassadors for the program by completing projects on their personal properties as well. In general, landlords have expressed the ability to preserve their own capital while improving their property as the motivating factor for them to participate in the program. It is interesting to note that all 13 rental property projects were initiated by the landlords rather than the tenants. Still, no tenant has refused a How\$martSM project proposal yet. Why would they when their homes are made more comfortable and their utility bills go down by participating in the program?

With the exception of a few less than ideal landlords that are unwilling to participate because they don’t want Company personnel reporting safety violations at their rental properties, Midwest Energy believes the barriers excluding rental properties from involvement in energy efficiency improvements have been torn down. Fortunately, most landlords are genuinely interested in making their properties more energy efficient for their tenants and the number of rental properties in the pipeline to program completion is increasing. Midwest Energy is planning a targeted marketing effort with landlords for early in 2009.

⁶ The Midwest Energy Customer Satisfaction Tracking Study, results for the first half of 2008. Data for this on-going tracking study was gathered between January and June of 2008. Results showed that over 14.6 percent of customers that responded said they rented their home.

MARKETING

The How\$martSM program is well accepted. The Company's marketing efforts have focused on contractor training and education. For the most part, contractors have sold the program for the Company. In mid-November, the first significant direct marketing effort was undertaken with a direct mailing to approximately 5,500 customers in the far western part of the service area. Evaluation of this effort will be conducted with interest since the relationships with trade allies are not as well developed as in the four-county pilot area around Hays.

Midwest Energy is continuing to nurture relationships with trade allies that sell this program. The Company has provided three contractor lunches and one workshop in the last six months. Company personnel have spoken before various groups such as Optimist, Rotary, Board of Realtors, and Chamber meetings. More recently, the Company has formed partnerships with environmental groups that have endorsed the How\$martSM program and are encouraging participation in the program⁷. As pent-up demand eventually wanes, direct customer marketing will have to be stepped up.

The program is delivered to all 41 counties of the service area by five employees. All five are certified energy raters who complete roughly three How\$martSM energy audits and the accompanying Conservation Plan each week. These same employees provide the field support for all other energy service offerings of the Company⁸. There are no explicit audit fees for program participants.

Lessons Learned

As a result of this pilot program, the Midwest Energy has gained valuable insights into ways to improve the program. These "lessons learned" include the following:

- **Free ridership potential is high:** Comprehensive energy audits are expensive. Currently, Midwest Energy provides walk-thru audits free but charges for more comprehensive analysis such as air infiltration tests or infrared scans. In the How\$martSM program, a comprehensive audit is completed before the customer decides whether or not to participate in the program. However, the Company believes the success of the program will be hampered if the program is not perceived as "risk free" by participants. As a way to minimize the potential for free ridership for the more comprehensive audits yet not discourage customers that are serious about making energy efficiency improvements, a limited audit charge policy has been adopted. Upon approval by the KCC to convert the program from a pilot to entire service area application, approval to charge \$200 per audit has been granted. The Company is waiving this fee if two conditions are met: first, if the Company cannot find any energy efficiency measures that require zero buy down from the customer yet still meet the tariff criteria that the How\$martSM charge on the bill is no more than 90

⁷ See for example the Climate and Energy Project at <http://www.climateandenergy.org/Index.htm> and the discussion of How\$martSM. Midwest Energy is also partnering with CEP to offer the "Take Charge Challenge" in two Midwest Energy-served communities. The Take Charge Challenge will utilize How\$martSM in the two communities and attempt to find "The Most Conservative Town in Kansas" – energy, that is.

⁸ The Company offers many energy services including energy ratings, HVAC sizing, walk-thru audits, air-infiltration tests, infrared scans, duct leakage tests, and customized commercial audits.

percent of the estimated savings; or (2) the customer acts on the Conservation Plan of recommendations (the audit results) within six months of the completion of the Plan. In this way, the How\$martSM program remains risk-free: If the customer follows-up on the audit and participates in the program, there is no audit fee. If Midwest Energy can't find improvements that result in a net lower bill with no upfront capital required, no audit fee is charged (whether the customer participates or not). The customer has nothing to lose, yet those that are just curious with no intention of completing efficiency improvements will have to pay if they want a comprehensive audit completed.

- **Eliminate the early payoff penalty:** The original program design penalized those customers who opted to pay off the energy efficiency financing early. After early discussions with landlords interested in turning over their properties fairly often, it was recognized that customers' participation would be discouraged if early payoff was penalized. The Company removed the early payoff penalty provision.
- **Encourage the installation of high efficiency improvements:** The program is not a construction program or a home-improvement program. It is an energy efficiency program. The Company has minimum standards for efficiency measures that are always above the minimum allowed standards. For fossil fueled furnaces, the Company requires a minimum AFUE of 90 percent while for central air conditioners the minimum SEER rating is 14.
- **Notification cannot be left to customers alone:** The Company has found out the hard way that customer's owning properties with How\$martSM obligations will likely not provide notification of the obligation to the succeeding owner of the property. This has created public relations headaches for the Company. Although forms signed by program participants clearly state that in the event of the sale of the property the seller is responsible to pay the balance of the How\$martSM obligation within 30 days of the completion of the sale if written consent to assume the obligation is not received from the buyer of the property. Despite the Company's best efforts to remind program participants of this obligation, they often forget. Often the obligation is not discovered until the utilities are transferred to the buyer. Midwest Energy is also required to provide notification to the buyer that the obligation exists. Unfortunately, this is likely after the closing and results in finger pointing and dissatisfaction with Midwest Energy and the program – especially by real estate agents. The Company is addressing the problem in several ways: First, Uniform Commercial Codes (UCC's) are being filed with the local County Register of Deeds. In this way, at least when a title search is done on a How\$martSM property, notification of the obligation will be recognized before completion of the sale. Although administratively burdensome, the \$15 per UCC filing (which must be repeated every five years) should preserve goodwill especially with the real estate industry. Second, the Company has found a way to manipulate its billing system such that Customer Service Representatives (CSRs) will immediately recognize that a property has a How\$martSM obligation. If a selling customer calls to close the account or switch the service to the buyer, the CSR will immediately see the How\$martSM obligation and be able to remind the customer that the property has such an obligation tied to it. Similarly, the forms associated with the program have been updated such that the Company has the right to share How\$martSM obligation information when it is allowed to share other utility data with interested parties. Finally, the Company has worked with local and state realtor organizations to change their Seller Disclosure Forms to include How\$martSM information.

Conclusion

The How\$martSM program is just beginning to live up to its promise of tearing down market barriers to energy efficiency. This program is innovative and the first of its type – unique for any utility let alone one that is small and rural. With over 100 inquiries from every region of the country, it is clear that other utilities are contemplating similar programs. Midwest Energy's experiences with the program should be shared at the AESP such that conference attendees can learn how to successfully implement an effective Pay-As-You-Save® program while tearing down market barriers to underserved markets.

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