



***Breaking Down Market Barriers in
the Rental Housing Market***

**National Energy Services Conference
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Michael Volker – Midwest Energy, Inc.**



Midwest Energy, Inc.



Agenda

- Who is Midwest Energy?
- What is How\$martSM?
- How the Program Works.
- The Conservation Plan (Products).
- Comprehensive Audit.
- Sample Options Sheet.
- Results to Date.
- Questions, Comments, Concerns



Who is Midwest Energy?

- Vertically integrated g&e cooperative
- 89,000 customers, 41 counties
- Progressive provider of energy services.
- Rates are 10% below national average.
- Average age of home: 34 years old.

How\$martSM and Efficiency

Objective: Tear down market barriers, especially the landlord/tenant split incentives.



Midwest Energy, Inc.



"Go back to sleep, Volker. You're just havin' a nightmare--of course, you are still an economist."

What is How\$martSM?

“A program that ties investments in energy efficiency to basic utility service.”

1. No upfront capital required by building owner.
2. Efficiency improvements paid for through a surcharge on the utility bill.
3. The surcharge is less than the amount of savings.
4. The surcharge is tied (by tariff) to the location, not to the customer.

How\$martSM is patterned after the PAYSTM (Pay-As-You-SaveTM) concept marketed by PAYS America. See www.PAYSAmerica.org.

Why Do This?

- √ Market failure in energy efficiency.
- √ Emphasis on energy efficiency by policymakers.
- √ Lower bills for program participants.
- √ Helps minimize expensive capacity additions.
- √ May help reach market that has been unable to invest in energy efficiency.
- √ Customers have asked for something like this.
- * **Growth in scope.**

1. Efficiency With No Upfront Capital

- MWE will pay for qualifying efficiency improvements (HVAC, Building Envelope, Lighting).
- Partnerships with building owners for investments that cannot entirely be justified by savings alone.
- Leverage state dollars to further lower cost of capital and increase program potential.

2. Efficiency Paid for on Utility Bill

- Fixed surcharge (like a “customer charge”) on monthly bill.
- Surcharge based on amortization of Company’s investment in efficiency measures.
- Maximum term: 180 months or 75% of the expected life of the measure.

3. Surcharge is LESS than 90% of Savings

- MWE will perform audit to identify potential savings opportunities.
- MWE will model energy/cost savings.
- MWE will determine required surcharge based on the cost of improvements, ROR, and term.
- If 90% of savings > surcharge, MWE will pay for improvements. Tenants are happy!

4. Surcharge is Tied to a Location

- Savings are tied to physical structure – investment in savings should be as well.
- Surcharge continues at premise – even if occupant changes.
- Requires disclosure.
- Disconnection for non-payment – subject to same terms and conditions of utility service.

Program Steps

1. Customer requests How\$mart audit.
(NOTE: No Marketing effort to date)
2. Customer pre-screened, audit scheduled.
3. Audit completed, Preliminary Conservation Plan Developed – measures identified.
4. Competitive bids from contractors to complete efficiency measures.

Program Steps (cont.)

5. All forms signed.
6. Contractor(s) complete work.
7. Upon completion, contractor is paid.
8. How\$martSM charges added to monthly bill.
9. Evaluations.

The logo for HowSmart, featuring a green roof-like shape above the text "HowSmart" in a blue serif font.

Products

- Thermal Shell – Insulation, Caulking, Sealing, etc. (45% of participants + those that install on their own)
- HVAC Equipment – High Efficiency Furnaces, AC, etc. (100% of participants, Avg. AFUE = 93%, SEER= 14.0)
- Others? Must be a “permanent” part of structure – not “portable” (No CFLs, Washer/Dryers, etc.)

Midwest Energy Efficiency Analysis

- Heat loss/gain calculations
- Air leakage test
- IR scan (optional)
- Furnace combustion check
- Duct leakage test (optional)
- Establish and validate a baseline (using sales history)

Example: Preliminary Conservation Plan

Base House: 2400 sq ft, R-7 Attic, 0 Wall Insulation, High Air Leakage, 64% Furnace, 6 SEER A/C

Option 1: New 92% Furnace/14 SEER AC at **\$5,500**

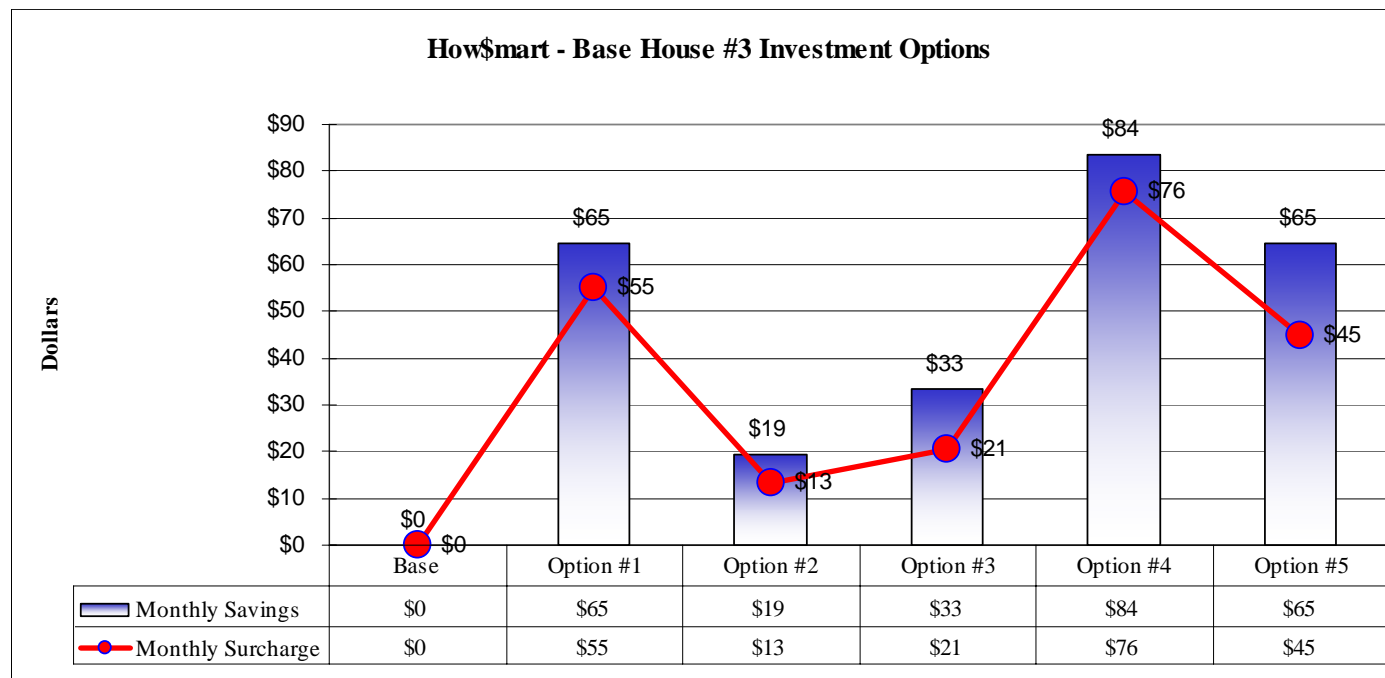
Option 4: All Measures at **\$7,570**

Option 2: R-38 Attic Insulation at **\$1,320**

Option 5: Option 1 with \$1k contribution from owner

Option 3: R-38 Attic, Air Sealing at **\$2,070**

Term: 15 years at 8.2567% + 3% program fee



Results of Pilot Program

- 110 Preliminary Conservation Plans.
- 15 completed How\$martSM projects.
- 23 rejected Conservation Plans (ouch!).
- 72 pending projects.
- Average investment = \$4,100.
- Average How\$martSM charge = \$40/mo.
- Average savings = \$50/mo.

Questions, Comments, Concerns?



The End

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Backup Information Participant Requirements

- Customer in good standing.
- Owner must sign a How\$martSM Owned-Property Agreement or Landlord and Tenant must sign a How\$martSM Rented/Leased Property Agreement.
- Sign the Conservation Plan.