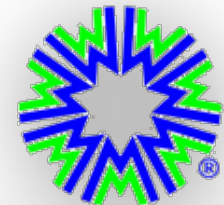


How\$mart[®]



Energy Efficiency Programs April 28, 2015

Brian Dreiling, Midwest Energy, Inc.

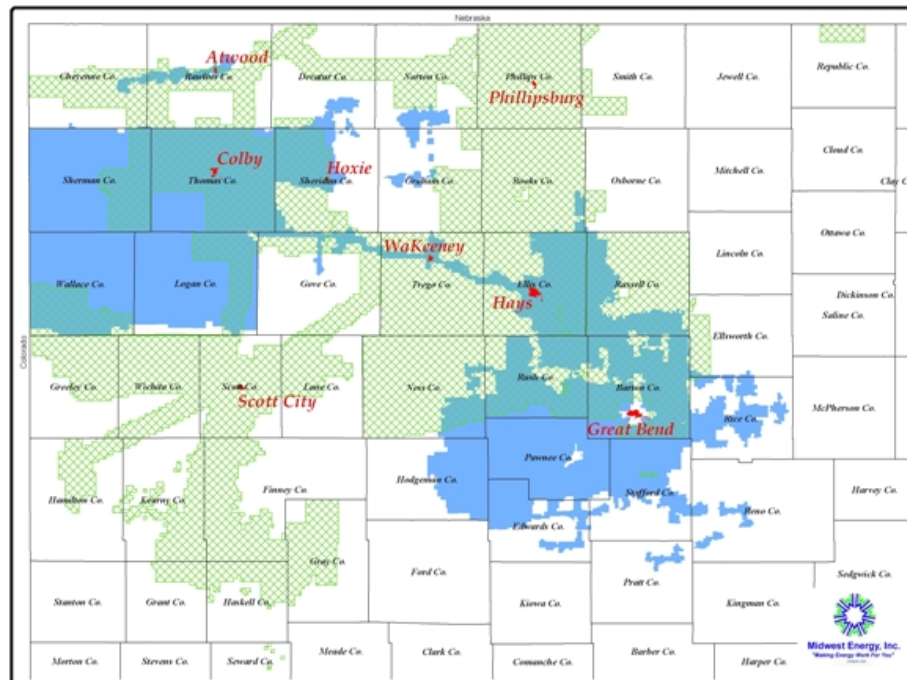


Midwest Energy, Inc.

Midwest Energy, Inc.



- Vertically integrated gas & electric coop
- 49,000 electric, 42,000 gas customers
- 41 Counties



Energy Efficiency Drivers



- Complete Energy Analysis of Buildings
 - Energy audits, lighting audits, infrared scans, blower door testing, duct testing, combustion testing, RESNET and Energy Star Certified.
 - Results Based on Reality
- Well Trained & Competent Installers
- Financing “How\$mart[®]”



What is How\$mart[®]?

- Utility service – not just OBF
 - PAYS[®] concept
 - Based on savings
- An investment in Energy Efficiency
 - Kansas statute 66-1248 (2007)
- How\$mart[®] has four key attributes...

Efficiency With No Upfront Capital

- Midwest Energy will fund 100% of costs for economically justified projects
- Building owner must buy down first cost if savings are insufficient for total project
- Low-cost Capital?
 - KHRC KEEP Program (State)
 - Efficiency Kansas (Stimulus)
 - REDL&G from RUS (Federal)



Efficiency Paid for on Utility Bill

- Fixed surcharge on monthly bill
- Surcharge covers project investment, cost of capital, and some administrative costs
 - Add 5% of project cost for audit/administration
- Maximum term: 180 months (res.)/120 months (comm.) or 75% of the expected life of the measure. (7 years for lighting projects)



Surcharge LESS than 90% of Savings

- Utility performs extensive energy audit
- Modeled energy use calibrated to actual history
- Utility estimates energy and cost savings
- Utility determines required surcharge
- Surcharge can be no more than 90% of savings

Repayment is Tied to the Location

- Energy savings are tied to a physical structure – surcharge is as well
- Surcharge at premise survives occupant changes.
- Requires disclosure to next customer by the owner/landlord & the utility (UCC filing)
- Disconnection for non-payment – subject to same terms and conditions of utility service

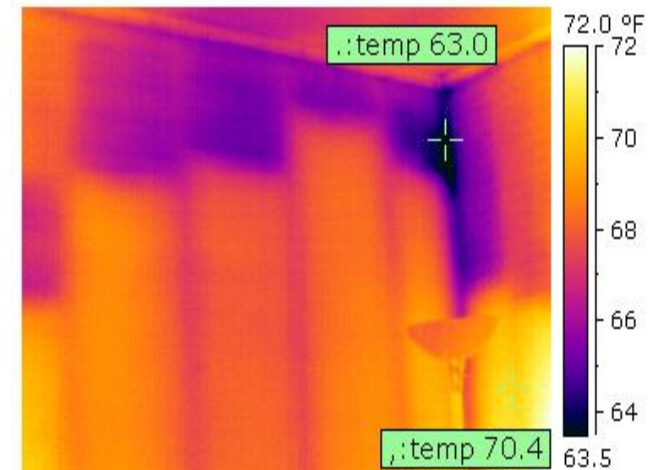


What is How\$mart[®]?

Results since July, 2007



- **2,334 Conservation Plans**
- **1327 buildings improved**
- **\$7.7M utility investment**
- **\$5,800/project**
 - Customers add \$1,600/project
- **3,014,600 kWh/year**
- **353,153 therms/year**



What is How\$mart[®]?

Results since July, 2007



- **How\$mart[®] charge = \$41.59/mo.**
- **Savings = \$49.11/mo.**
- **Avg. 2,200+ kWh and 270+ therms saved.**



How\$mart® - Why?



Why Does This Work for the Utility?

- **Costs recovered**
- **Low risk**
 - **Default?**
 - **Disconnection allowed**
- **Customer Satisfaction**
- **Politically Popular**



Why Does This Work for the Customer?

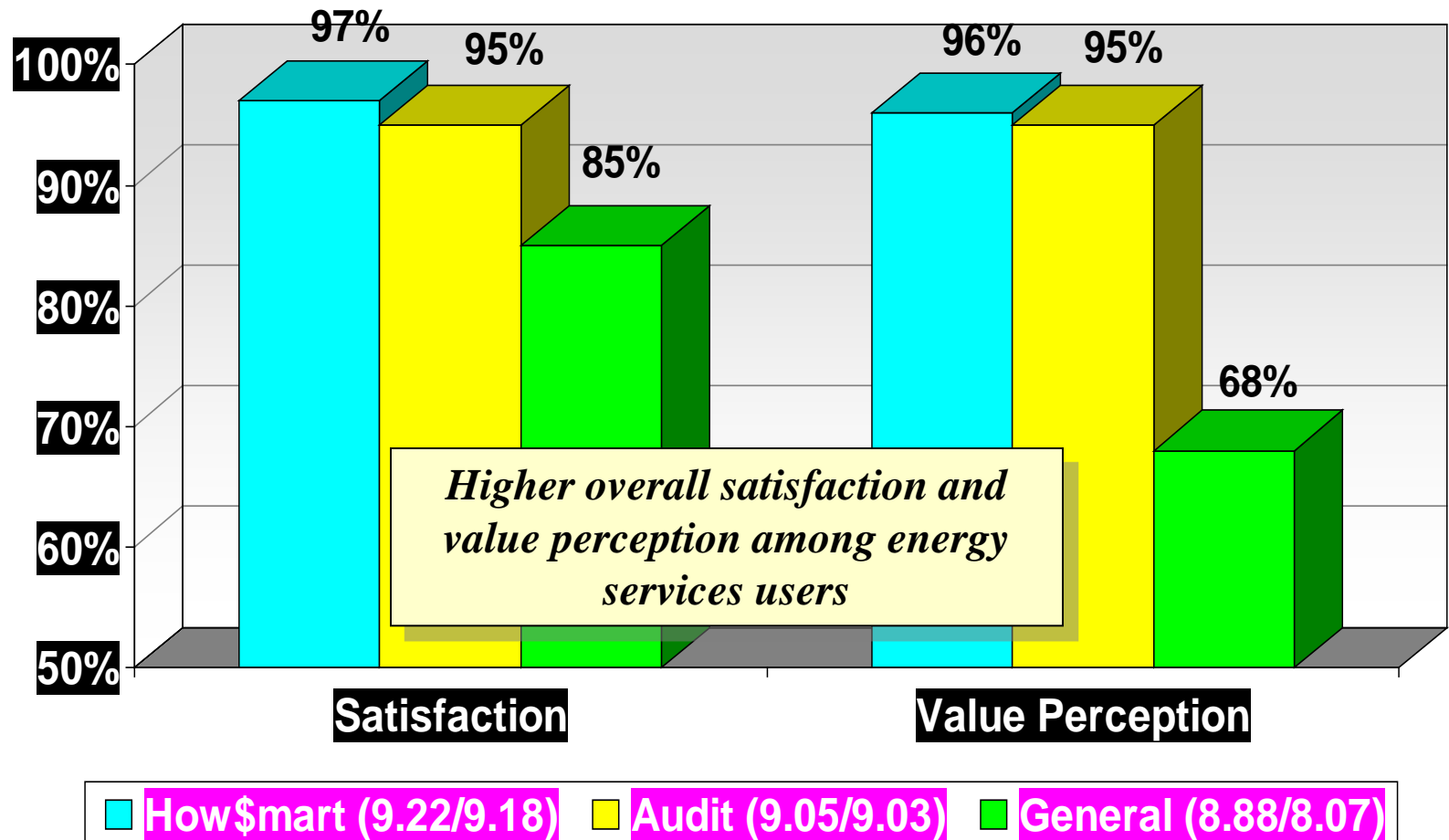
- **No first cost barrier**
- **No additional debt**
- **Split incentives addressed**
- **Net lower bills**
- **External benefits (comfort, safety)**



Satisfaction and Value Perception of Midwest Energy



Percent responding with a high score (8-10 on 10 pt. scale)



Numbers in parenthesis refer to mean satisfaction/value perception scores.

Program Interest

- **How\$mart[®]: first voluntary PAYS[®] application**
- **Many, many inquiries (Regulatory Commissions, National Labs, Environmental Groups, Utilities, Consultants, Other groups of interest)**
- **Five National Recognitions in Five Years**

Chartwell's Best Utility Practice (2008), Environmental Defense Fund – Innovations in Business (2009), Apogee Customer Excellence Award (2010), AESP – Residential Program Implementation Award (2011), NRECA Community Service Award (Energy Efficiency – 2012)



How\$mart[®] Questions?

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The logo features a green roof-like shape above the text "How\$mart". The word "How" is in blue, the "\$" is green, and "mart" is in green. A registered trademark symbol (®) is at the end.

How\$mart[®]