

## COUNCIL ACTION FORM

**SUBJECT: THE ADDITION OF A COMMERCIAL/INDUSTRIAL CUSTOM REBATE PROGRAM**

**BACKGROUND:**

Smart Energy rebate programs are designed to help customers purchase and install energy efficient equipment. Over the past several years we have created rebates for residential and commercial lighting, encouraged higher SEER rated air conditioners, and promoted Energy Star rated appliances. Staff is now considering other programs to add to Smart Energy.

It is impossible to anticipate every energy and demand saving device. A custom rebate provides a mechanism to address efficiency improvement areas not currently covered by the Commercial Demand Side Management program. The institution of a custom rebate will provide an incentive for commercial and industrial customers to improve their energy efficiency and to reduce their summertime electric demand in unique and desirable ways.

The program considers the customer's current electric system usage and the projected savings after the proposed change. A value based on capacity savings is assigned to the project and is used to calculate the rebate paid to the customer. The larger the annual demand savings, the larger the rebate.

The Demand Side Management Evaluation for City of Ames Electric System Report (conducted by Wind Utility Consulting) was completed in July 2006. The report estimated that a commercial/industrial custom rebate program would produce \$4.70 in benefits for every \$1 spent.

With the increase in the Smart Energy program budget to \$800,000 in 2009-10, this is the ideal time to begin a commercial/industrial custom rebate program. There will be \$125,000 in the new fiscal year budget set aside for the this new program.

**ALTERNATIVES:**

1. Authorize staff to administer a commercial and industrial custom rebate program within the Smart Energy program beginning in the 2009/2010 fiscal year, and allow staff to pay incentives on equipment installed on or after January 1, 2009.
2. Do not authorize the administration of a commercial and industrial custom rebate program at this time

**MANAGER'S RECOMMENDED ACTION:**

Electric Services' largest customers are in the commercial and industrial classifications. Since services to these customers vary a great deal based on the types of operations they undertake, it is very difficult to design a "one size fits all" program to meet their needs. In order to maximize energy reductions for these customers, it is advisable to create a

custom rebate program.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 and authorize staff to administer a commercial and industrial custom rebate program beginning in FY 2009-10, and retroactive to equipment installed on or after January 1, 2009.