

COUNCIL ACTION FORM

SUBJECT: **UPDATES TO SMART ENERGY REBATE PROGRAM**

BACKGROUND:

Electric Demand Response programs have limited lifetimes and should be reviewed and adjusted as the available technology and markets for energy-efficient technology change. Staff reviewed the utility's current demand response programs, benchmarked with other local electric utilities, and drafted recommended changes for review by EUORAB at their October 2025 meeting.

After reviewing these proposed changes, EUORAB is recommending the following changes to the Demand Response program:

- **Retire the Custom Rebate Program** - Staff proposes retiring the custom rebate program effective January 1, 2026, because the program has largely been used for LED upgrades. The LED Lighting rebate program was retired in 2020 due to the technology becoming widely available. **Custom rebates often rely heavily on an independent analysis of energy savings conducted by a third-party engineering firm to validate savings that offset the payback to the utility.**
- **Increase the minimum efficiency for Air Conditioner rebate to 17.2 Seasonal Energy Efficiency Ratio (SEER2)** - Currently, air conditioners of 15.2+ SEER2 are eligible under the rebate program. **Staff proposes to increase the minimum SEER2 rating to 17.2, as a SEER2 rating between 15.2 – 17.1 is no longer considered above standard efficiency.** The incentive for these units will be capped at \$200. Other utilities, including Midland and federal tax incentive programs, have recently increased their minimum SEER2 ratings to 17 as well.
- **Remove rebates for freezers, small refrigerators, dehumidifiers, and dishwashers** - Energy Star-rated appliances have become widely adopted by manufacturers. **Electric staff believes that the decision to purchase these products is no longer dependent on the rebate offered from the department.** Surrounding utilities have retired similar appliance rebate programs, and staff believes that following suit will allow the Smart Energy rebate program to put more resources where needed.
- **Increase Heat Pump and Heat Pump Water Heater Rebate Program to support the City's Climate Action Plan** - Staff proposes increasing the air source heat pump, geothermal heat pump, and heat pump water heater rebates to increase adoption. This also better align Ames' programs with neighboring utilities. The changes will keep the existing rebate structure. For air source heat pumps, units between 15.2 - 17.1 SEER2 will qualify for a \$600 rebate. Air source heat pump units with SEER2 values greater than 17.2 will qualify for a \$1,200 rebate. A different measure is used for geothermal heat pumps. Installed units that are Energy Star rated will be eligible for \$1,000/ton. Units that are not Energy Star rated are eligible for \$800/ton. These technologies are

alternative heating and cooling systems to natural gas by transferring heat rather than generating it. **This increases their efficiency and reduces the home's carbon footprint. Increasing the rebate tied to these products achieves both Smart Energy and Climate Action Plan goals.**

- **Create a Rebate for Attic Insulation to Help Customers Reduce Energy Consumption** - Attic insulation is one of the most cost-effective ways to increase energy efficiency in your home. The EPA estimates that homeowners in our region can save an average of 16% on heating and cooling costs annually by properly air sealing their homes. As many older homes undergo retrofits, addressing insulation is critical to strengthening the home's building envelope and ensuring long-term savings. **Staff believes this incentive will encourage weatherization improvements that will lower energy consumption for City of Ames Electric customers.** Table 1: Costs of equipment and rebate amounts.

Rebate	Current Amount	Proposed Amount	Estimated Equipment Costs	Neighboring Utilities' Rebate
Geothermal Heat Pump	\$400/\$500 per ton	\$800/\$1,000 per ton	\$15,000 - \$20,000	\$800-1,500 per ton
Air Source Heat Pump	\$500/\$1000	\$600/\$1200	\$8,000	\$600-\$1,500
Air Source Heat Pump Water Heater	\$400	\$500	\$2,500-\$3,000	\$500-\$600
Central Air Conditioner	\$200/\$400	\$0/\$200	\$3,000 - \$5,000	\$0 - \$400
Attic Insulation	N/A	50% of the project cost up to \$250	\$2,000 - \$3,000	\$500

ALTERNATIVES:

1. Approve the changes to Smart Energy Rebate Program as proposed above by the staff and recommended by EUORAB.
2. Approve selected changes to the Smart Energy Rebate Program.
3. Do not approve changes to the Smart Energy Rebate Program and refer it back to EUORAB for additional study.

CITY MANAGER'S RECOMMENDED ACTION:

Reviewing rebate offerings is a best practice for utilities. As such, staff and EUORAB have re-evaluated its rebate offerings and are proposing changes that better incentivize climate action strategies. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1.