Taking the Mystery out of Custom Efficiency

Overview:
This document aims to take the “mystery” out of Xcel Energy’s Custom Efficiency program. Custom Efficiency compares and quantifies the existing or less-efficient equipment with a more efficient option. Custom projects are more complex than prescriptive projects and therefore require more time and data to understand the existing condition and the proposed solution.

After reviewing the proposed solution, Xcel Energy issues a notification letter of preapproval or denial based on a cost effectiveness review. The preapproval letter depicts the potential rebate offer, the estimated savings, the offer expiration date (typically two years), and the identity of the Xcel Energy account manager – who is also your project contact.

Written preapproval from Xcel Energy is necessary for all customized projects. Purchase orders, contracts, equipment orders and/or invoices that are dated before Xcel Energy’s preapproval notification may invalidate all or portions of the project.

Xcel Energy’s Analysis: Though a vendor’s equipment may be efficient, the operational and technical characteristics of each customer are different. For example, different electricity or natural gas rates used in a proposal and an engineering analysis will produce different results. If we are missing variables (equipment costs, operational hours, quantity of units, etc.) we will make assumptions using average or standard values. It’s best to provide actual values. Finally, avoided operational and maintenance (O&M) costs can affect the rebate outcome. Consequently, some projects are eligible and some are not.

Application Review Timeframe: A typical custom project review takes seven business days. Larger projects with bigger energy savings and higher rebate potential will take longer. Projects are delayed when information is incomplete, inaccurate, conflicting or missing. Once our engineering review is complete a notification letter will be sent to the customer’s Xcel Energy sales representative within three days of the review. The sales representative will be your contact moving forward for any updates.
Taking the Mystery out of Custom Efficiency

Denied projects:
Projects are considered not eligible for rebates because of the different metrics previously mentioned; These metrics are explained in greater detail below.

**Simple Payback:** Xcel Energy has a minimum payback threshold of less than 9 months, and a maximum threshold where the project cost can exceed the life of the equipment. If either of these two situations arises then the project is not eligible for a rebate. For a successful payback to occur, the energy saving benefits must exceed the project costs (life of the equipment). When benefits do not exceed the costs, the customer should not attempt the project solely on energy savings. However, their may be extenuating reasons why the project would be pursued. Paybacks of less than nine months are too good for a rebate. They just make good business sense.

**Cost Effectiveness Scores:** Most business have a way of evaluating a project’s viability. Xcel Energy is no different. Custom projects must pass the cost-effectiveness tests drawn from the California Standard Practice Manual. The manual is approved by State regulators as the primary test used to evaluate the cost-effectiveness of programs. These include Xcel Energy’s Demand-Side Management (DSM) program. The thresholds for Custom Efficiency require the project to be good for both the rebate recipient (known as the Participant Test) and society as a whole (knows as the Societal Test). These respective ratios are depicted in a benefit-cost ratio score of 1.0 or more, which demonstrates higher benefits than costs. Project with scores less than 1.0 reveal the cost outweighs any benefit are not eligible for rebates.

**Operational Hours:** Even with the same technology at different sites, a variation in operational hours can impact the analysis.

**Peak time of operation:** Customers with longer operating hours and whose equipment runs during our summer and winter peak range (9 am to 9 pm) are generally more viable. Projects that operate outside of peak ranges may not produce the anticipated savings or rebate.

**Energy cost:** It’s important to ask customers for their electric rate when developing their proposals. Without this information customers and vendors are provided a rate of $0.07 cents per kilowatt-hour rather than $0.10 cents, and $0.78/therm. Using a higher artificial-price may look better for a project (demonstrating more financial savings) and to a customer, but it will compromise any rebate effort.

**Changing project scope:** When project metrics change from the original analysis, Xcel Energy will conduct a re-evaluation. The completed project will be reviewed and analyzed by Xcel Energy upon
Taking the Mystery out of Custom Efficiency

receipt of full documentation. Xcel Energy acknowledges that savings and rebate projections may change over the course of the preapproval timeframe, which could affect your initial project’s feasibility.

**Customer sharing project information:** On the application, if a customer chooses not to share information, by selecting “Do not share a copy of my Xcel Energy notification letter with my equipment supplier and/or vendor”, then you must work directly with the customer for updates and other project particulars.

**How to get project updates or status:** If we are able to share information with you then you may contact the Xcel Energy account manager copied on the notification letter. You may also call an energy efficiency specialist at 1-800-481-4700 or send an email to energyefficiency@xcelenergy.com.

**Measurement and Verification (M&V):** Given the ambiguity of the energy use associated with some projects, it may be necessary for Xcel Energy to establish pre- and post-implementation usage levels. This will always be true for projects with conservation greater than 1.0 gigawatt-hour of electricity or 20,000 Dth of natural gas. Xcel Energy reserves the right to meter any project, especially if there are discrepancies with the technical assumptions. Collecting this information will require the installation of temporary metering equipment. The cost for this metering will be Xcel Energy’s responsibility, but requires the customer’s cooperation in its installation. The pre-metering must be completed before old equipment is removed and operational. The actual parameters for this metering will be further defined in the subsequent metering agreement.