**Recommendation for Defining Small Business:**

The recommendation is to still use energy consumption as the only criteria (peak kW and/or annual Therms) for defining small businesses so a “Direct to Decision” path can be pursued. We strongly disagree with the idea of any additional information (e.g. gross revenues) from the customer because overall the vision is to simplify the process and not to burden the small customers.

The recommended threshold for defining small business customers is

250 kW peak demand and/or 50,000 annual therms

These values are based on the average energy efficiency project size which can be developed for these customers and the potential incentives.

Following is an example (with some simple assumptions) which elaborates why the above threshold is being recommending –

|  |  |
| --- | --- |
| **Electric Project Size** | **Gas Project Size** |
| * Customer size – 250 kW peak demand * Operating hours – 6,000 * Total consumption – 1.5 million kWh * Percentage savings – between 5 to 10% * Project Size – 150,000 kWh (assuming 10% savings) * Potential incentive (with no cost cap) - $12,000 | * Customer size – 50,000 therms annually * Percentage savings – between 3 to 5% * Project Size – 2,500 therms (assuming 5% savings) * Potential incentive (with no cost cap) - $2,500 |

The above example shows the energy savings and incentives for an atypical and very large project for a 250 kW and 50,000 therms customer. In general, most projects from customers this size are significantly smaller than these examples. For the electric project example, the assumption is being made that the threshold kW is the average kW demand for the entire year which is making the project savings significantly higher. And the maximum incentives are still approximately 50% of the incentive level for the lowest rigor POE tier.

Based on the above argument, it does make economic sense to use the “Direct to Decision” option for customers of this size.