

Memorandum

To: Nida Khan, CAMI Energy, Nick Warnecke, Ken Woolcutt, and Nic Crowder, Ameren Illinois, Andy Vaughn, Brent Nakayama, and Shane Perry, Leidos

From: The Opinion Dynamics Evaluation Team

Date: June 16, 2023

Re: Small Business Initiative Program Theory and Logic Model

Introduction

This memo presents the results of a high-level process review conducted by the evaluation team for Ameren Illinois Company (AIC)'s Small Business Initiative. The primary objective of this review was to develop a Program Theory and Logic Model (PTLM) for the Initiative, as well as provide early insights into Initiative delivery.

PTLMs are useful tools to support initiative planning, implementation, and evaluation because they outline the theory of change underlying the initiative and document why a given intervention – be it financial assistance, technical support, etc. – will result in the targeted outcomes. The logic model developed by the evaluation team includes four components:¹

- **Activities:** Initiative activities are the actions taken by implementation and administration staff to produce the targeted results of the initiative.
- **Outputs:** Initiative outputs are the express products of initiative activities.
- **Outcomes:** Initiative outcomes are the specific results the initiative is designed to generate for participants.
- **Impact:** Initiative impacts are the long-term changes the initiative is designed to produce within organizations, communities, and/or the broader market.

Based on this framework, a PTLM provides a roadmap that helps focus evaluation activities on critical points of program intervention. To complement the PTLM, this memo includes a summary of the key implementation processes for the two Small Business Initiative channels: Small Business Direct Install and Small Business Energy Performance and early insights on recommended improvements to the Initiative design. The evaluation team intends to collaborate with Small Business Initiative staff to confirm the contents of this memo are accurate and to make any modifications that might be necessary. Once finalized, the evaluation team will use the PTLM included in this memo as the foundation for a 2023 general population survey of the target market to test the assumptions included in the model, as well as the theory of change.

¹ W.K. Kellogg Foundation. *Logic Model Development Guide*. January 2004. <https://wkkf.issuelab.org/resource/logic-model-development-guide.html>

Initiative Description

The primary objective of the Small Business Initiative is to deliver energy savings to small commercial and industrial customers by increasing access to energy efficient products through financial and technical support. Additional objectives include increased customer awareness of energy efficient technologies, increased customer and contractor awareness of AIC’s initiatives, and the development of a program ally network with the capabilities to deliver the Small Business Initiative’s services, particularly in Empower Communities.² The initiative targets private and public facilities through two channels that work in tandem to provide a comprehensive suite of offerings:

- **Small Business Direct Install (SBDI) Channel:** The SBDI channel is available to all small nonresidential facilities in AIC’s service territory and focuses on rapidly deployable lighting and refrigeration measures. Eligible customers receive a free on-site assessment and assessment report outlining recommended measures, project costs, estimated energy savings, and estimated bill savings. The customer then selects the package of measures they wish to have installed. The SBDI channel is expected to be the primary driver of Initiative electric savings.
- **Small Business Energy Performance (SBEP) Channel:** The SBEP channel targets facilities located in Empower Communities and focuses on delivering building envelope upgrades, HVAC improvements, and other non-SBDI measures supported by participating program allies.

Both channels leverage a network of program allies to coordinate and install the incentivized measures in participating facilities. Customers are not allowed to self-install any measures incentivized through the Initiative. These program allies specialize in serving small businesses, non-profits, schools, and local governments. Many projects are fully funded through channel incentives and require no out-of-pocket contribution from the customer. The low-touch, high-impact measures incentivized through the SBDI channel, combined with the customized, deeper retrofits incentivized through the SBEP channel offer customers in this segment an opportunity to comprehensively upgrade their facilities.

Summary of Implementation Processes

To provide additional context around the Initiative’s design and implementation, Table 1 includes a summary of the key implementation steps for both the SBDI and SBEP channels.

Table 1. Small Business Initiative Implementation Summary

Implementation Activity	Small Business Direct Install	Small Business Energy Performance
Customer Eligibility and Recruitment	<ul style="list-style-type: none"> ■ Available to all AIC non-residential customers with Small General electric or gas service. ■ Program allies conduct most customer outreach activities either through their own marketing efforts or direct conversations with prospective participants. 	<ul style="list-style-type: none"> ■ Focuses on AIC non-residential customers with Small General electric or gas service in Empower Communities; specific focus on Public Sector customers such as schools, religious organizations, other community-serving institutions, and non-profits.

² Predominately non-White and/or economically challenged communities. Opinion Dynamics completed a study of four Empower Communities in AIC’s service territory in July of 2022. The report is posted to the Illinois Stakeholder Advisory Group (SAG) website, here: <https://www.ilsag.info/wp-content/uploads/AIC-Empower-Communities-Study-Final-Report-FINAL-2022-07-11.pdf>.

Implementation Activity	Small Business Direct Install	Small Business Energy Performance
	<ul style="list-style-type: none"> ▪ Initiative staff support the allies through co-branding marketing materials; community events; targeted outreach through email/mailed campaigns, webinars, and partnerships with local chambers of commerce and other CBOs; and maintenance of a Small Business landing page on the AIC Energy Efficiency website. ▪ Energy Advisors contribute to recruitment efforts by supporting the allies; as well as ad-hoc outreach like canvassing neighborhoods and visiting organizations that have not participated in the Initiative. 	<ul style="list-style-type: none"> ▪ Coordinate with AIC Market Development Initiative (MDI) team to identify organizations that are good candidates to target with direct recruitment outreach.
Program Ally Recruitment and Training	<ul style="list-style-type: none"> ▪ Small Business and MDI staff partner with seven diverse contractors each year to train them to participate in the SBDI channel. ▪ Initiative staff provide allies with training and documentation for best practices to complete projects. ▪ Initiative staff engage program allies on workforce development needs identified by MDI staff, including Jobseeker Placement, Scholarships, Seasonal Employment, and Workforce Development. 	<ul style="list-style-type: none"> ▪ Initiative staff are working on identifying qualified weatherization contractors to recruit.
Energy Assessment	<ul style="list-style-type: none"> ▪ Customers receive a free on-site assessment and assessment report outlining recommended measures, project costs, estimated energy savings, and estimated bill savings. 	
Measure Installation	<ul style="list-style-type: none"> ▪ All measures must be installed by qualified program allies. Customers are not allowed to install measures themselves. Project incentives incorporate the cost of installation. 	
Incentive Payment	<ul style="list-style-type: none"> ▪ Initiative incentives are paid directly to program allies to simplify the ally-customer transaction at the time of measure installation. ▪ Some projects will be fully funded through initiative incentives and will require no out-of-pocket contribution from the customer; others will require minimal out-of-pocket costs. ▪ Additional copay grants are available to diverse allies and customers in Empowered Communities through the Market Development Initiative. ▪ Customers are encouraged to seek multiple competitive bids to identify the best project cost available. 	
Quality Assurance/Quality Control	<ul style="list-style-type: none"> ▪ All incoming ally and customer data is reviewed to confirm account and project qualifications. ▪ A minimum of 5% of projects and 10% of electric energy and therm savings receive filed inspection. 	

Key Barriers

Market Barriers

The Small Business Initiative is designed to address several key market barriers that inhibit investment in energy efficiency among small business customers, including:

- **Availability of resources:** Small business customers often lack the financial capital needed to invest in energy efficiency. When capital is available, it is often allocated towards other company priorities. These customers also often lack the available time needed to assess their energy-related needs and improvement opportunities. Their focus is on the operations of the business and other items that are perceived to be a higher priority. Relatedly, these customers often do not have the time to find a qualified contractor who might be able to assist in these areas.
- **Customer knowledge:** Small business customers sometimes lack a deep understanding of the energy-using equipment in their facilities. They also lack knowledge about energy efficient alternatives to their current equipment or the technical knowledge to support the design and installation of energy efficient equipment. This lack of knowledge related to upgrade opportunities and the benefits of investing in more efficient systems can lead customers to feel like they do not have control over their energy costs.
- **Qualified contractors:** There is a limited pool of contractors that are qualified to identify and meet the unique energy-related needs of small public and private sector customers.

Participation Barriers

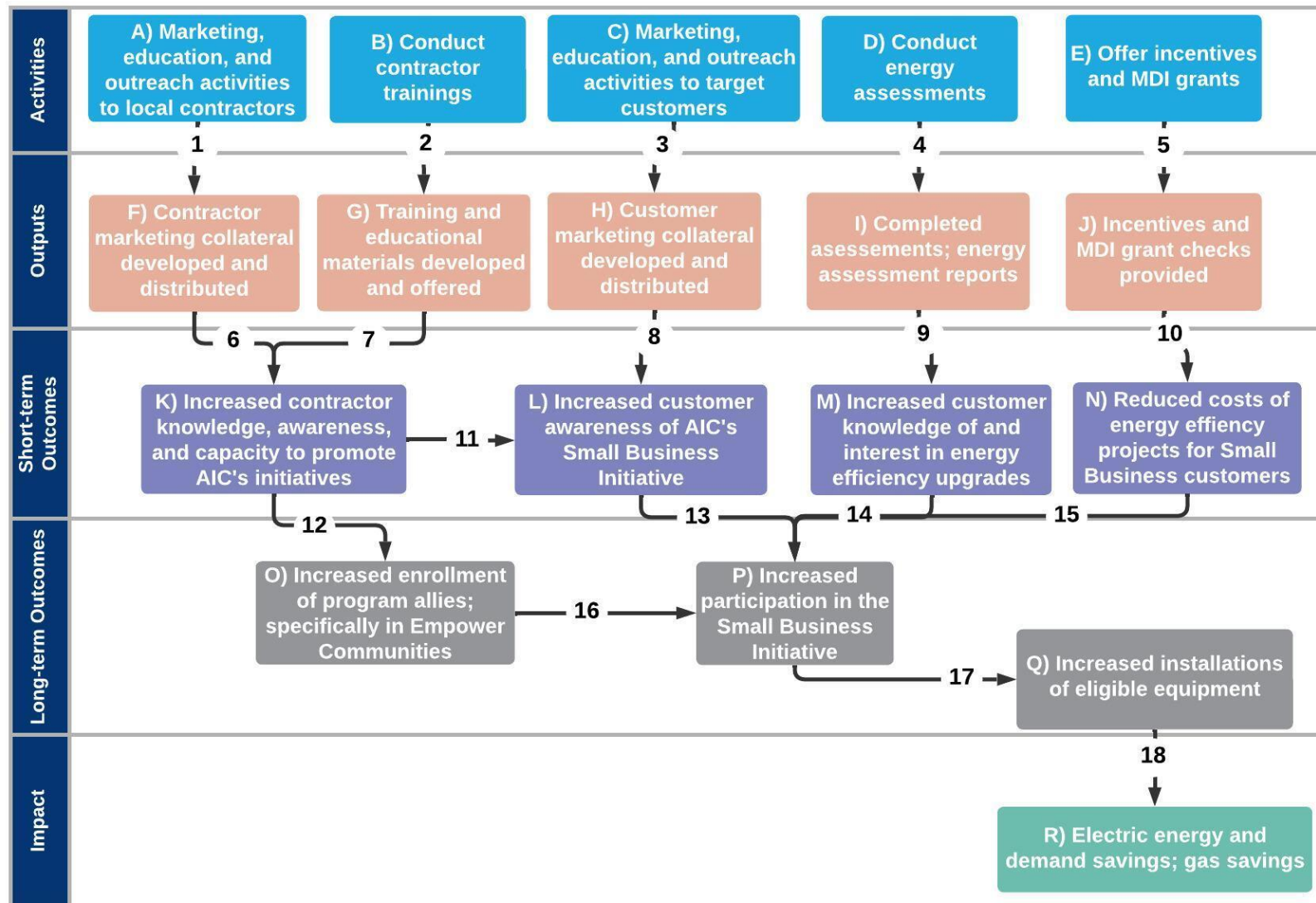
In addition to market barriers, the Small Business Initiative also seeks to address barriers that prevent customers from participating in the Initiative, including:

- **Customer awareness:** There is limited awareness among Small Business customers about the existence and offerings of the Small Business Initiative, as well as the benefits of participating.
- **Program Ally coverage:** There is limited awareness among enrolled program allies about the existence and offerings of the Small Business Initiative, as well as the opportunities it provides to grow their business.
- **Qualifications and geographic coverage of Program Allies:** There is a limited number of enrolled program allies that are qualified to deliver the Small Business Initiative offerings; particularly, the weatherization-focused measures incentivized through the SBEP channel. In addition, there are parts of AIC's service territory, specifically within Empower Communities, that do not have a sufficient number of enrolled program allies to make AIC's initiatives accessible to businesses within these communities.

Logic Model

Figure 1 provides a visual representation of the Small Business Initiative activities, outputs, outcomes, and impacts, as well as their causal association.

Figure 1. AIC Small Business Initiative Logic Model



Program Theory

Table 2 includes descriptions of the linkages illustrated in the logic model, details on the specific market barriers the Initiative seeks to address, and an explanation of the Initiative’s theory of change related to producing the targeted outcomes and impacts. The table also includes a list of potential indicators the Initiative team can track to monitor Initiative performance.

Table 2. Program Theory for Small Business Initiative

Link	Description of Link/ Theory	Potential Indicators
1	A) Small Business Initiative staff and MDI staff partner to develop marketing, education, and outreach activities to produce collateral and engage prospective program allies. These efforts address a lack of knowledge among local contractors about the Small Business Initiative and its offerings and informs contractors about the benefits of participating.	<ul style="list-style-type: none"> ▪ # of contractor-focused marketing materials developed and distributed ▪ # of contractors contacted
2	B) Small Business Initiative staff and MDI staff partner to develop educational materials that are distributed through trainings with contractors. These materials inform contractors about energy efficient technologies, best practices for delivering projects through AIC’s initiatives, and the benefits that engaging with AIC’s initiatives can have on their company’s performance. Initiative staff and MDI staff have a particular focus on training diverse contractors, as well as those operating in Empower Communities. These efforts address a lack of contractors that are qualified to deliver the services offered to customers through the Small Business Initiative; particularly in Empower Communities.	<ul style="list-style-type: none"> ▪ # of contractor trainings offered ▪ # of contractor trainings offered in Empower Communities ▪ # of contractors participating in trainings ▪ # of diverse contractors participating in trainings ▪ # of contractors participating in trainings who operate in Empower Communities
3	C) AIC partners with program allies to design and produce co-branded marketing collateral to distribute to prospective customers. Program allies lead marketing, education, and outreach (ME&O) efforts by distributing collateral and through direct conversations with prospective participants. Initiative staff support ally efforts by conducting email and mailer campaigns, “door-to-door” outreach in the community and partnering with local community-based organizations (CBOs). These efforts address a lack of customer knowledge about the Small Business Initiative and its offerings and informs customers about the benefits of participating.	<ul style="list-style-type: none"> ▪ # of customer-focused marketing materials developed and distributed ▪ # of program allies with co-branded materials ▪ # of mailers sent ▪ # of customers contacted ▪ # of emails sent ▪ # of impressions ▪ # of CBO partnerships
4	D) Program allies conduct free energy assessments for all participants and provide facility-specific reports detailing upgrade opportunities, estimated project costs, potential energy savings, and payback period. These reports address a lack of customer knowledge about the equipment in their facilities and energy efficiency upgrade opportunities and provides customers with the information they need to prioritize energy efficiency investments.	<ul style="list-style-type: none"> ▪ # of energy assessments completed ▪ Participant satisfaction with energy assessment process ▪ Participant satisfaction with energy assessment reports
5	E) AIC provides financial support to participants in the form of equipment incentives and MDI grants to address a lack of capital among Small Businesses to invest in energy efficiency projects and technologies.	<ul style="list-style-type: none"> ▪ \$ of incentives and grants provided to participants ▪ # of participants that received incentives and/or grants

Link	Description of Link/ Theory	Potential Indicators
		<ul style="list-style-type: none"> ▪ Percentage of incentives and grants allocated to projects in Empower Communities
6	F) Contractor marketing collateral increases awareness among local contractors about AIC's Small Business Initiative.	<ul style="list-style-type: none"> ▪ Contractor awareness of Small Business Initiative
7	G) Contractor training and educational materials increase contractor knowledge about energy efficient technologies, their ability to sell/deliver projects through AIC's initiatives, and their understanding of the benefits that engaging with AIC's initiatives can have on their company's performance.	<ul style="list-style-type: none"> ▪ Level of knowledge of energy efficient technologies reported by trainees ▪ Level of comfort/knowledge of AIC's Small Business Initiative reported by trainees
8	H) Customer marketing collateral increases awareness among Small Business customers about AIC's Small Business Initiative.	<ul style="list-style-type: none"> ▪ Customer awareness of Small Business Initiative ▪ # of leads generated by each ME&O activity
9	I) Energy assessment reports provide customers with increased knowledge of and interest in energy efficiency.	<ul style="list-style-type: none"> ▪ Average # of upgrade opportunities identified per assessment ▪ Participant satisfaction with energy assessment report/upgrade opportunities identified ▪ Participant knowledge of energy efficiency opportunities ▪ Participant likelihood to invest in energy efficiency ▪
10	J) Incentives and MDI grants reduce (or eliminate) the cost of energy efficiency projects for Small Business customers.	<ul style="list-style-type: none"> ▪ Average percentage of project cost covered through incentives/grants ▪ Average \$ of incentives and grants per participant ▪ Average participant out of pocket cost per project
11/12	<p>K) Increased contractor awareness of AIC's Small Business Initiative increases customer awareness of the Initiative as contractors will be inclined to inform the businesses they engage with about incentive opportunities.</p> <p>Increased contractor knowledge about energy efficient technologies, how to best promote and deliver projects through AIC's initiatives, and the benefits of engaging with the initiatives, increases contractor awareness of the Small</p>	<ul style="list-style-type: none"> ▪ Contractor awareness of Small Business Initiative ▪ Customer awareness of Small Business Initiative ▪ # of enrolled program allies ▪ # of enrolled program allies in Empower Communities

Link	Description of Link/ Theory	Potential Indicators
	<p>Business Initiative offerings, increases the number of enrolled program allies, and expands the geographical coverage of the program ally network; specifically, in Empower Communities. AIC requires that program allies install all direct-install and weatherization measures incentivized through the Initiative because Small Businesses often do not have the technical knowledge to install energy efficient technologies safely and effectively. In addition, they often do not have time to identify qualified contractors to perform the installations. Requiring program allies to install equipment for customers ensures safe and quality installation of all incentivized equipment.</p>	<ul style="list-style-type: none"> ▪ # of trainees enrolled as program allies ▪ # of trainees from Empower Communities enrolled as program allies ▪ Trainee QAQC results ▪ Percent increase in company revenue attributable to trainee completion of AIC energy efficiency projects ▪ Trainee feedback on understanding and capacity to promote AIC offerings
13	<p>L) Increased awareness among Small Business customers about AIC’s Small Business Initiative results in increased participation in the Small Business Initiative.</p>	<ul style="list-style-type: none"> ▪ Cost of participant acquisition ▪ # of participants in AIC’s Small Business Initiative ▪
14	<p>M) Increased customer knowledge of and interest in energy efficiency results in increased participation in the Small Business Initiative.</p>	<ul style="list-style-type: none"> ▪ # of participants in AIC’s Small Business Initiative ▪ Project conversion rate from energy assessments ▪ Measure conversion rate from energy assessments ▪ Reasons customers do not install recommended measures
15	<p>N) Reduced energy efficiency project costs for Small Business customers results in increased participation in the Small Business Initiative.</p>	<ul style="list-style-type: none"> ▪ Conversion rate of energy assessments ▪ Customer attribution regarding influence of financial support on participation
16	<p>O) Increased enrollment of program allies and expanded geographical coverage of the program ally network increases participation in the Small Business Initiative by improving customer access to the Initiative’s services.</p>	<ul style="list-style-type: none"> ▪ # of projects completed by program allies ▪ # of projects completed by program allies in Empower Communities ▪ # of measure installations per participant ▪ Participant satisfaction with installation process ▪ Participant satisfaction with program ally ▪ # of customer callbacks related to equipment complaints ▪ Participant satisfaction with installed measures

Link	Description of Link/ Theory	Potential Indicators
17	P) Increased participation in the Small Business Initiative increases the incidence of energy-efficient measure installations by program allies.	<ul style="list-style-type: none"> ▪ # of measure installations ▪ # of measure installations by end use ▪ # of measure installations per participant ▪ # of measures installed per year ▪ # of measures installed per year, by end use
18	Q) The increased incidence of energy-efficient measure installations results in electric energy, demand, and gas savings (R).	<ul style="list-style-type: none"> ▪ Total # of kWh, kW, and therms saved through Initiative ▪ Average # of kWh, kW, and therms saved per project ▪ Average % reduction in site energy use

Findings and Recommendations

Based on our review of Initiative materials and discussions with Initiative Staff, the evaluation team offers the following findings and recommendations for the Small Business Initiative.

- **Key Finding #1:** Initiative staff reported in an in-depth interview that macroeconomic trends including inflation and supply chain disruptions served as key barriers to Initiative implementation in 2022. Initiative staff took mitigating actions like increased incentives to combat rising prices and loosened timeline requirements for project completion to address delays in equipment procurement.
 - **Recommendation:** To the extent the Initiative team expects these market conditions to persist, the evaluation team recommends that the Initiative team remain flexible and build specific contingencies into the Initiative design to address these barriers as they arise in order to continue meeting customer needs.
- **Key Finding #2:** It is the understanding of the evaluation team that customers have the option to participate in a single channel (i.e., just SBDI or just SBEP). We understand that the geographic scope and funding of the SBEP channel is narrow, and it is not feasible for all SBDI participants to also receive weatherization services through SBEP. However, the same budget and scope constraints do not exist for the SBDI channel.
 - **Recommendation:** The evaluation team recommends that Initiative staff formally incorporate the channeling of SBEP participants into the SBDI channel and any other offerings they are eligible for into the Small Business Initiative’s design. We understand the program ally base may not be large enough or geographically diverse enough to mandate that all SBEP participants also participate in SBDI. However, to the extent possible, we recommend continuing to serve these customers through other initiatives to ensure they receive comprehensive upgrades in their facilities.