

Case Study — San Antonio City Lights

In Brief

<i>Location:</i>	City of San Antonio, Texas
<i>Policy type:</i>	Retrofits, Financial Incentives for Energy Efficiency, Energy Efficiency Financing, Utility Regulation & Policy
<i>Sector:</i>	Commercial
<i>Start Date:</i>	August 2010
<i>Summary:</i>	The lighting retrofit program provided meaningful financial incentives and technical assistance targeted to small businesses. It aimed to reduce operating expenses for small local businesses while improving energy efficiency, quality of lighting, and lighting equipment longevity.
<i>Impact:</i>	At the time the program was discontinued in August of 2011 as it was fully subscribed, having performed over 1,700 energy audits and enabling over 840 small businesses to make energy efficiency improvements with lighting retrofits. In just one year the program facilitated over 4.9 million kWh of electricity savings and saved customers over \$400,000 from avoided energy costs.
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Overview

The City of San Antonio created the City Lights program to provide meaningful financial incentives and technical assistance for lighting improvements targeted to small businesses. It aimed to reduce operating expenses for small local businesses while improving energy efficiency, quality of lighting, and lighting equipment longevity. The program streamlined the participation process and provided turn-key installation of lighting efficiency improvements. The program focus was chosen because lighting is the largest portion of a small business's energy bill, accounting for up to 43 percent of consumption, according to City Lights.

Through participation in the City Lights program, businesses received free lighting audits that identified potential energy and cost saving measures. At the program's outset, participants had the option to enter into a zero-interest, 36-month loan agreement for up to \$3,000, or they could opt for a direct rebate of \$400 to cover the costs of the lighting upgrades. These incentives were offered in addition to existing small commercial lighting rebates made available by San Antonio's municipally-owned power provider, CPS Energy. Typical project costs ranged from \$250 to \$2,550, with an average cost of \$1,100 per business — before rebates and incentives — and an average customer co-pay of \$440. Installations were completed by Enerpath, the program contractor. Businesses repaid loans to the *City Lights* program; once the loan was paid off all savings would go to the business.

Over the course of its existence the City Lights program went through a variety of modifications to offer more businesses enrollment opportunities in the program and further incentivize energy-efficient lighting projects. By June of 2011 the program had raised the direct rebate from \$400 to a \$1,000 discount on installed, energy-efficient lighting. In July of 2011 the program was expanded to include larger buildings of less than 30,000 square feet, and the \$1,000 discount was altered to offer a \$1,000 or 30% rebate to consumers to cover project costs (whichever was less). Shortly thereafter the 0% interest loan maximum was raised from \$3,000 to \$10,000. However, due to increased consumer demand and limited resources the program was discontinued in August of 2011. Upon its completion San Antonio's City Lights program was undoubtedly a success, having significantly eclipsed program goals. In its one year of operation the program performed 1,700 energy audits, retrofitted the facilities of 843 small business customers, and saved over 4.9 million kWh of electricity.

Management and Funding

The City of San Antonio's Office of Sustainability initiated the City Lights program, convened the team that was responsible for implementation, and contributed funding from a federal American Recovery and Reinvestment Act (ARRA) grant to capitalize the revolving loan for the project. CPS Energy, the City's municipal electric utility, helped to identify potential participants and led marketing and outreach efforts. EnerPath, an energy efficiency implementation company, served as the program administrator, conducted the energy audits, and managed the installation subcontractors. ACCION Texas, a Small Business Administration certified SBA 504 Development Company, provided the loans. The team coordinated on a weekly basis.

The City Lights program initially targeted businesses with less than 50 employees and occupying less than 15,000 sq. ft. Throughout the program participating businesses were required to be located within city limits and have a nonresidential account with CPS Energy that had been active for the last 36 months and which was in good credit standing. If the business space was leased, a minimum lease term of one year was required.

At the beginning of the program, CPS Energy identified potential participants through its customer database and sent them a mailer informing them that the "City Lights" program was working in their neighborhood. EnerPath provided direct marketing via door-to-door canvassing dissemination of press releases and customer testimonies in local newspapers, a billboard campaign, and collaboration with local development corporation activities and events.

Although the program was originally designed as a revolving loan program, many businesses were not interested in financing the improvements. As a result, the program was adjusted so that participants could choose either the revolving loan fund or a direct install with an incentive. The original goal was to finance a maximum \$3,000 loan to 167 business customers resulting in a total of \$500,000 in loan proceeds, but this was changed due to project costs falling below the \$3,000 amount and business owners choosing the direct install (rebate) program versus loan financing.

As the program progressed it evolved to meet the needs of businesses in San Antonio. Due to the high consumer interest in the rebate program, the rebate amount was eventually raised from \$400 to \$1,000, and then altered to a rebate of up to \$1,000, but no more than 30% of project cost. Additionally, the size requirement for buildings was expanded from less than 15,000 square feet to less than 30,000 square feet.

The City Lights program used \$500,000 in ARRA funds to establish a revolving loan fund. Due to consumer demand some of these funds were diverted to the direct rebate program. Currently, the loan portfolio is in the repayment stage and has a remaining 14% to be paid; 86% of the portfolio has been paid-in-full. All-in-all the program installed over 23,400 energy-efficiency measures and affected over 2.2 million square feet of commercial buildings before being discontinued August 26th of 2011.

Billboard design advertising the City Lights program



Performance

By the end of the program in August of 2011 a total of 843 customers had enrolled. Additionally, the program employed 4 local energy auditors and engaged 12 local contractors which successfully created efficiency-related jobs in the San Antonio community.

By the end of the City Lights Program the following results had been achieved:

	Goal	Actual
Energy Audits Performed	1,000	1,700
Projects Completed	750	843
Measures Installed		23,478
Total Square Feet (Installed)		2,281,016
Annual Energy Savings (kWh)	3,500,000	4,915,485
Annual CO2 Avoided (lbs)		5,864,174
Annual Utility Bill Savings	\$284,000	\$402,087

Lessons Learned

Staff from City Lights provided some of their reflections on the implementation of the program.

Challenges: One of the key challenges encountered in this program was maximizing small business participation to meet program goals when an intangible asset such as energy savings is being sold. Energy savings is difficult to sell to customers who may not consider lighting retrofits as being critical to their business's operating needs.

What worked well: The program was successfully able to adjust to respond to the market. Due to the limited participation in the 0% interest loan option of the program, a direct payment option with a rebate was offered to increase participation. Additionally, the program's marketing initiatives helped increase participation by targeting a specific sector in the City and targeting every small business within that sector. One of the key factors in its success of the program was communication among partners. The program's management team and the partners involved worked together to increase participation. Additionally, customer service was vital to the program. When customer problems were encountered, time was set aside to resolve the issue. Taking an active interest in effectively resolving customer problems positively impacted the program on a large scale.

What changed over time: The program expanded its outreach by broadening its definition of the small business customer to beyond the 15,000 sq. ft. and 50 employee limits. The program continued to serve the small business sector; however, broadening the parameters helped to encourage further market participation and finance larger projects. As the program grew and loan production increased, staff took the necessary measures to ensure that assessments were performed in a timely manner and that loan customers were satisfied with overall results. Prior to the "City Lights" Program, CPS Energy provided a very limited lighting rebate for small businesses. Based on successful program results, CPS Energy re-examined their small business lighting rebate program and consolidated it into their large commercial lighting rebate program. Now small businesses can obtain a rebate for up to 40% of the project cost.

What was most surprising: The willingness of customers to directly pay project costs rather than utilizing 0% interest financing was unexpected. Amidst tightened credit standards nationwide, the management team felt that a 0% loan would encourage participation; therefore the program was designed to subsidize the loan servicing costs to enhance participation. As a result, the small business customers' loan payments immediately reduced the loan principal balance. However, small business customers were less willing to incur debt in the current economy and on investments outside of their core business. The management team continued the 0% loan option to ensure that the program met the needs of small

business customers who preferred to maintain their liquidity base and choose to finance their project costs rather than choosing a direct payment option.

Resources

An article about the City Lights program from The Economist: <http://www.economist.com/node/21533432>

City Lights information on the City of San Antonio's website:

<http://www.sanantonio.gov/sustainability/BuildingsAndCommunities/CityLights.aspx>

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