

Case Study — San Antonio City Lights

In Brief

Location: City of San Antonio, Texas
Policy type: Retrofits, Financial Incentives for Energy Efficiency, Energy Efficiency Financing, Utility Regulation & Policy
Sector: Commercial
Start Date: August 2010
Summary: The lighting retrofit program provides meaningful financial incentives and technical assistance targeted to small businesses. It aims to reduce operating expenses for small local businesses while improving energy efficiency, quality of lighting, and lighting equipment longevity.
Impact: Since the program’s inception, 142 customers have enrolled. Some facilities have already been retrofitted and some are scheduled for retrofitting shortly. An additional 500 potential customers are currently in the assessment stage. The program projects that in total it will produce 3,500 MWh of energy savings, \$284,000 in utility bill savings, and create or retain 11 jobs.

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 aims to reduce operating expenses for small local businesses while improving energy efficiency, quality of lighting, and lighting equipment longevity. The program streamlines the participation process and provides turn-key installation of lighting efficiency improvements. This 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 receive a free lighting audit that identifies potential energy and cost saving measures. Participants then have the option to enter into a zero-interest, 36-month loan agreement for up to \$3,000, or they can receive a direct rebate of \$400 to cover the costs of the lighting upgrades. These incentives are in addition to existing incentives from CPS Energy, the local utility, which cover up to 50% of the improvement costs. Typical project costs have 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 are completed by Enerpath, the program contractor. Businesses repay loans to the *City Lights* program; once the loan is paid off, all savings go to the business.



Billboard design advertising the City Lights program

Management and Funding

The Office of Environmental Policy in the City of San Antonio initiated the City Lights program, convened the team that is 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 has led marketing and outreach efforts. EnerPath, an energy efficiency implementation company, serves as the program administrator, conducts the energy audits, and manages the installation subcontractors. ACCION Texas, a Small Business Administration certified SBA 504 Development Company, provides the loans. The team coordinates on a weekly basis.

The City Lights program targets businesses with less than 50 employees and occupying less than 15,000 sq. ft. The businesses must be located within city limits and have a nonresidential account with CPS Energy that has been active for the last 36 months and is in good credit standing. If the business leases its space, a minimum lease term of one year is required.

At the beginning of the program, CPS Energy identified potential participants through its customer database and sent them a mailing. EnerPath has provided direct outreach into the community through door-to-door canvassing and has promoted the program through press releases and stories in local newspapers, conducted canvasses of local business centers, and collaborated 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, it was adjusted so that participants can 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 has changed due to project costs falling below the \$3,000 amount and business owners choosing the direct install (rebate) program versus loan financing.

The City Lights program used \$500,000 in ARRA funds to establish a revolving loan fund. Some of these funds are now being diverted to the direct rebate program. The program expects to support approximately 1,000 projects through the end of the ARRA funding period.

Performance

As of February 2011, 142 customers had enrolled in the program with some facilities having already been retrofitted and some scheduled for retrofiting shortly. An additional 500 potential customers were in the assessment stage. Investments in current participant activities represent well over \$100,000, with more than \$500,000 potentially in the pipeline.

By the end of the ARRA grant, the program projects that it will achieve the following results:

	Per Site	Total
Jobs Created/Retained		11
Annual Energy Savings	5,785 kWh	3,500,000 kWh
Annual Utility Bill Savings	\$567	\$284,000

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 has been 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% loan option of the program, a direct payment option with a rebate was offered to increase participation. Additionally, the program's marketing initiatives have 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 has been communication among partners. The program's management team and the partners involved have worked together to increase participation.

What changed over time: The program has 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 continues to serve the small business sector; however, broadening the parameters has helped to encourage further market participation and finance larger projects. As the program grows and loan production increases, staff are taking the necessary measures to ensure that assessments are performed in a timely manner and that loan customers are satisfied with overall results.

What was most surprising: The willingness of customers to directly pay project costs rather than utilizing 0% 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 reduce the loan principal balance. However, small business customers are less willing to incur debt in the current economy and on investments outside of their core business. The management team intends to continue the 0% loan option to ensure that the program meets the needs of small business customers who prefer to maintain their liquidity base and choose to finance their project costs rather than choosing a direct payment option.

Resources

City Lights information on the city of San Antonio's Web site:

<http://www.sanantonio.gov/oep/citylights.asp?res=1024&ver=true>

City Lights information on EnerPath's Web site:

<http://sanantoniocitylights.enerpath.com/>

Information on the program on the DSIRE database:

http://www.dsireusa.org/incentives/incentive.cfm?Incentive_Code=TX112F&re=1&ee=1

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