

Incentives For Industrial Energy Efficiency Projects



**Presented At Industrial Energy
Technology Conference
April 21, 2004**

CenterPoint Energy Efficiency Programs - Background



- ❖ Senate Bill 7 passed in September of 1999
- ❖ Requires electric utilities to administer energy efficiency incentive programs
- ❖ Makes available energy efficiency programs to all customer classes
- ❖ Must acquire cost effective energy efficiency equivalent to at least 10% of annual utility's load growth in demand

Statewide C&I Energy Efficiency



- ❖ Utilities: AEP, CenterPoint Energy, Entergy, Oncor, Texas New Mexico Power and Xcel Energy
- ❖ 2004 Statewide Incentives: \$ 20 million
- ❖ Demand (MW) Savings: 30 MW
- ❖ Energy (MWH) Savings: 150,000 MWH
- ❖ Bill Savings: \$ 8 to 10 Million

Commercial & Industrial (C&I) Standard Offer



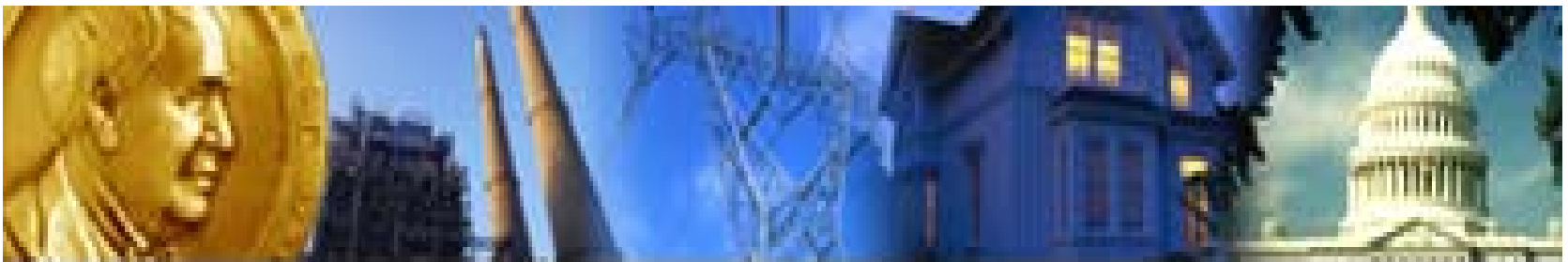
- ❖ C&I facilities in CenterPoint service area
- ❖ Same price and terms for all participants
- ❖ First come, first served
- ❖ 20% cap on incentives
- ❖ Minimum 20 kW savings per project



CenterPoint C & I Energy Efficiency History



- ❖ CenterPoint Standard Offer Program has been in place since 2001.
- ❖ Paid out over \$ 12 million in incentives for 600 energy efficiency projects that achieved approximately 25 MW in peak demand reduction.



2004 Program Incentives



- ❖ Incentive rates are \$198/kW and \$0.068/kWh
- ❖ \$ 4.4 million incentive budget
- ❖ 20% cap limit is \$880,000
- ❖ Target reduction of 6.9 MW on-peak demand



Incentive Calculation - Example



- ❖ An energy efficiency project provides 500 kW in peak demand savings and 3,250,000 kWh in annual energy savings
- ❖ Incentive calculated as follows:

$$\begin{array}{rcl} 500\text{kW} \times \$198 & = & \$99,000 \\ 3,250,000 \text{ kWh} \times \$0.068 & = & \underline{\$221,000} \\ \text{Total Incentive} & & \$320,000 \end{array}$$

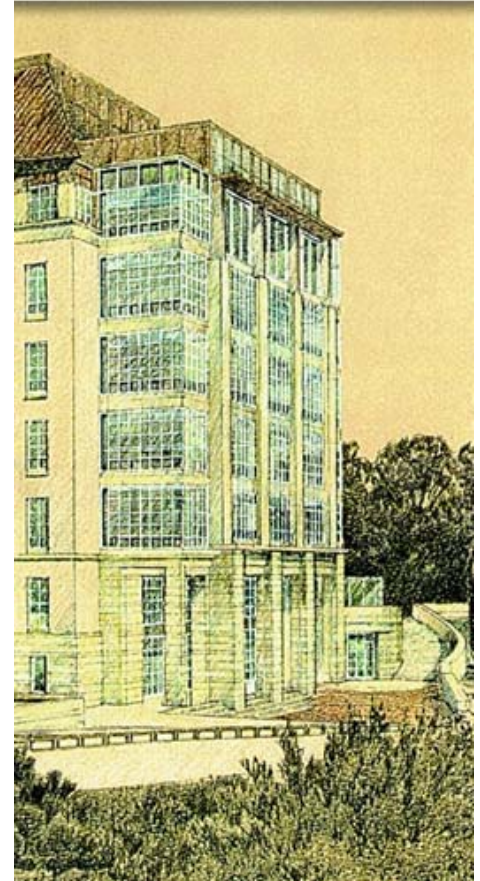
NOTE: Incentive calculation assumes no lighting measures and 75% load factor used in calculating energy savings.



How The Program Works



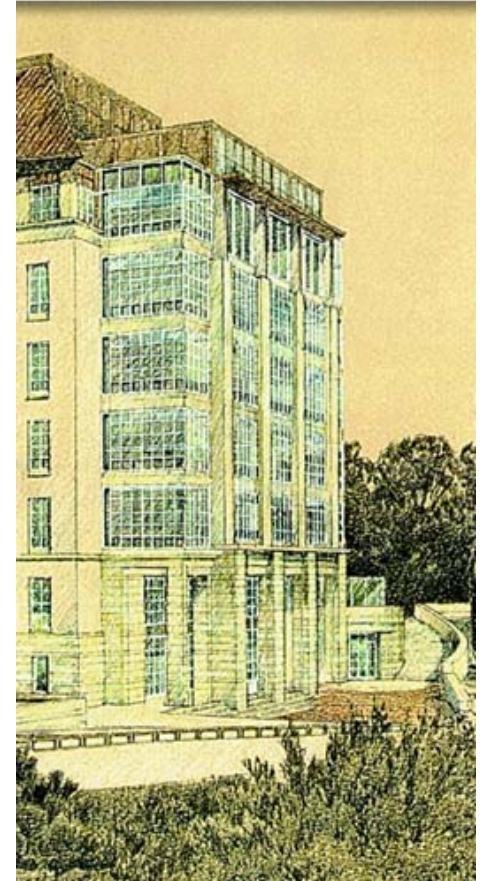
- ❖ Register as a Project Sponsor on website
- ❖ Identify energy efficiency measures
- ❖ Submit on-line application
 - ◆ Measures
 - ◆ kW and kWh savings
 - ◆ Incentives
- ❖ CenterPoint reserves incentives for your project



CenterPoint - Energy Efficiency Responsibilities



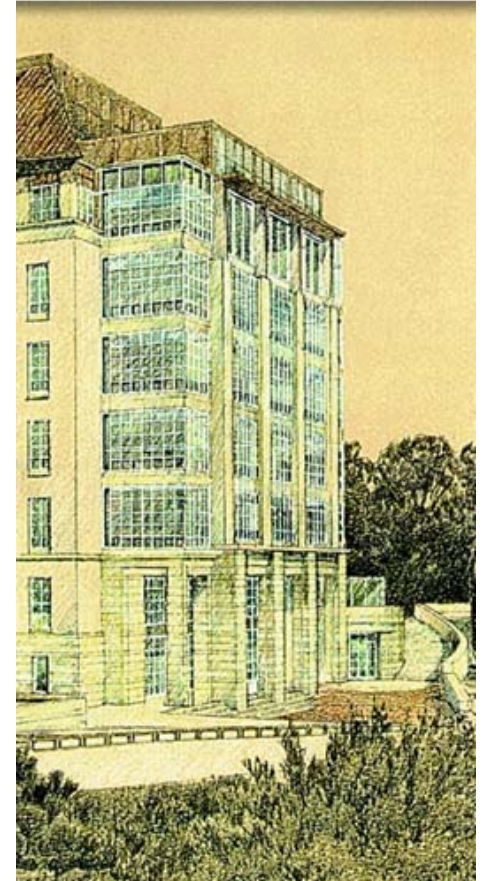
- ❖ Program Administrator
- ❖ Reviews applications and reserves funding
- ❖ Enter into standard agreement with Sponsors
- ❖ Review and approve measurement and verification approach
- ❖ Make incentive payments



Applicant (Sponsor) - Responsibilities



- ❖ May be end-use customer or customer's representative
- ❖ Submits application for incentives
- ❖ Sign standard agreement with CenterPoint
- ❖ Design and or install efficiency measures
- ❖ Measure and verify energy savings



Measure Eligibility



- ❖ Produces measurable on-peak demand and energy savings
- ❖ Useful life of at least 10 years
- ❖ Permanently installed
- ❖ Fuel switching from electric to gas



Examples of Eligible Measures



- ❖ Industrial process improvements
- ❖ Premium efficiency motors
- ❖ Variable Frequency Drives
- ❖ Compressed air system efficiency improvements
- ❖ Fuel switching from electric to gas



Ineligible Measures or Projects

- ❖ Cogeneration or self generation projects
- ❖ Power Factor Correction equipment
- ❖ Stand alone VFD or controls projects
- ❖ Energy efficient gas-only measures



Application Process

- ❖ Initial Application (Optional)
 - ◆ Project description, estimated savings and incentives
 - ◆ 5% deposit required
- ❖ Final application
 - ◆ Final estimate of savings and incentives
 - ◆ 40% incentive payment
- ❖ Install project / verify savings
- ❖ Final (60%) incentive payment



Compressed Air Example



- ❖ Conduct audit or system assessment and submit final application
- ❖ CenterPoint reviews final application, reserves incentives
- ❖ Sponsor installs project /CenterPoint makes 40% installation payment
- ❖ Sponsor verifies savings/Final (60%) incentive payment



Energy Efficiency Benefits

- ❖ Customer Benefits
 - ◆ Reduces capital requirements
 - ◆ Shortens paybacks
 - ◆ Enhances project economics
 - ◆ Save money using less energy

- ❖ Other Benefits
 - ◆ Reduces electric generation requirements
 - ◆ Reduces load on utility transmission system



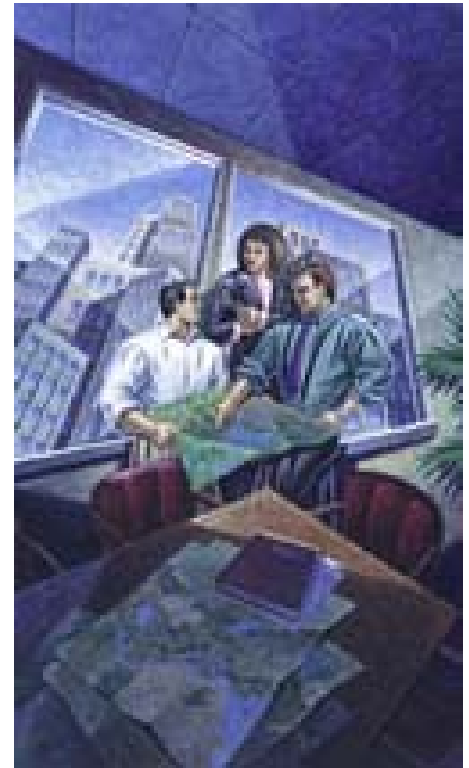
How to get started



- ❖ Visit the website for more information:
www.CenterPointEfficiency.com
- ❖ Contact CenterPoint Energy

George Smith
(713) 207-3488

Karen Gregory
(713) 207-3516



Other Utility Contacts:



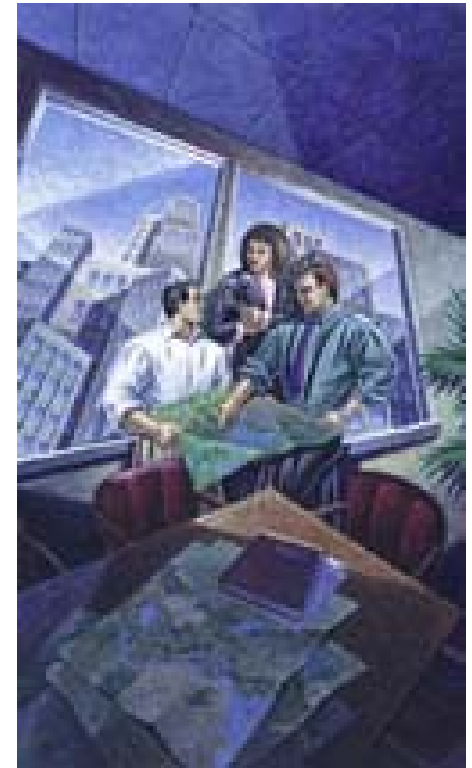
- ❖ AEP: Russell Bego
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- ❖ Entergy: Terry Swan
(409) 981-3245

- ❖ Oncor: John Hanel
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- ❖ Texas New Mexico Tony Thompson
(817) 377-5579

- ❖ Xcel Energy Doug Maxey
(806) 378-2887



www.TexasEfficiency.com