



A New Strategic Direction & Program Thrust for Energy Efficiency

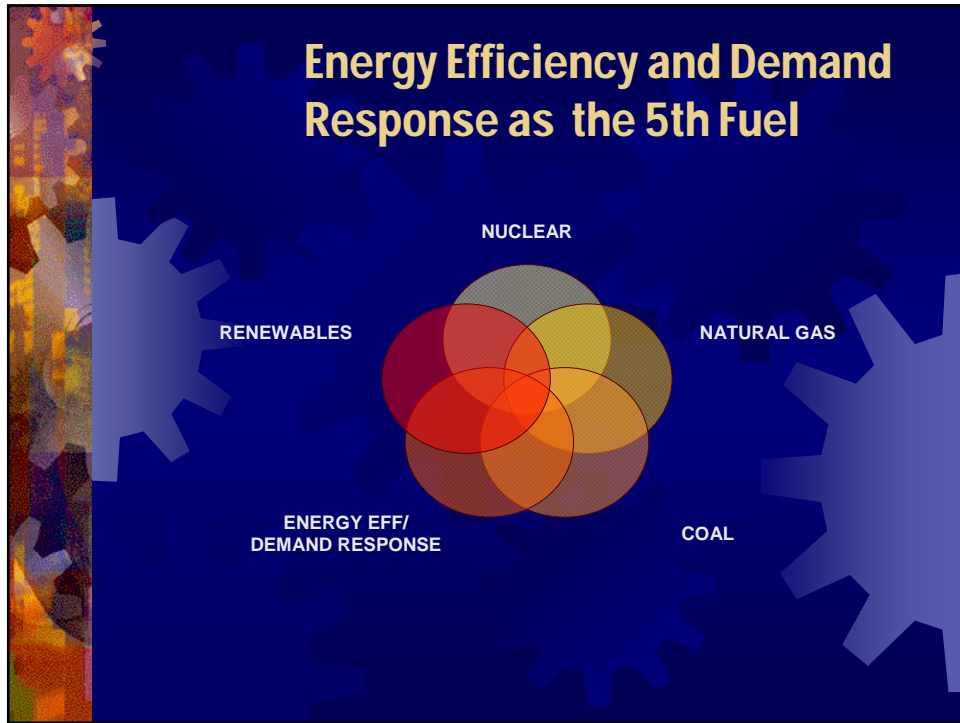
*A Case Study in the Commercial Sector
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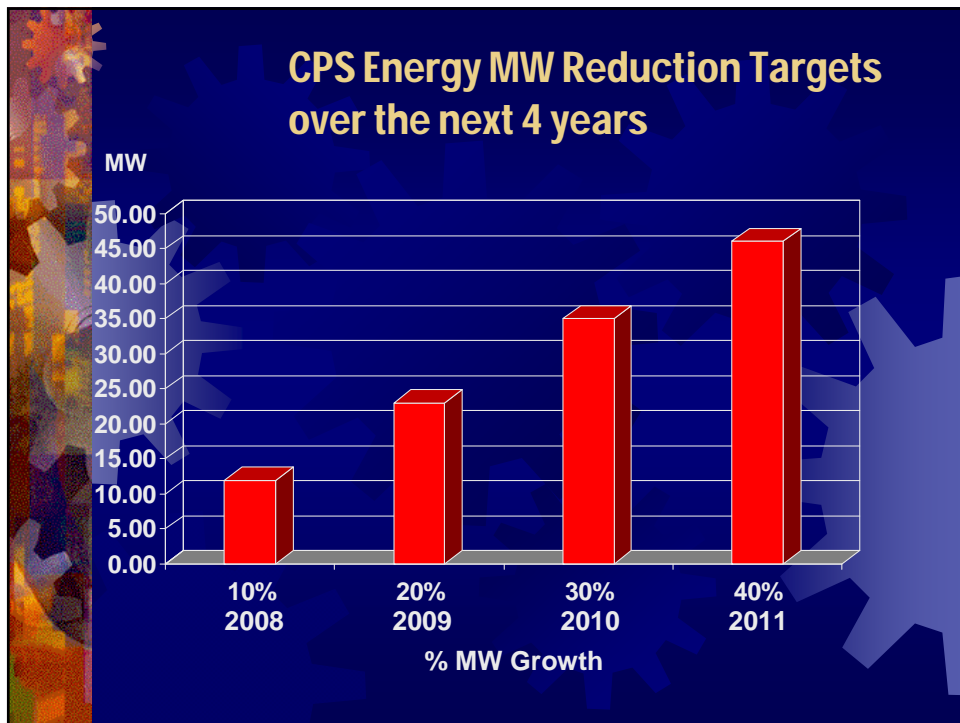
A “Paradigm Shift” has Occurred @ CPS Energy

- End use energy efficiency programs reduce the need to produce power.
- The “Paradigm Shift” in thinking revolves around energy efficiency programs being viewed as alternative sources of power in the supply portfolio.
- Or said differently.....

Energy Efficiency and Demand Response as the 5th Fuel



CPS Energy MW Reduction Targets over the next 4 years



Expenditures Follow MWs

- 10% : \$8.4 M
- 20% : \$17.1M
- 30% : \$28.4M
- 40% : \$42.5M
- Historically, \$5.9M annually for 5.3% MW reduction.



New Commercial Technology Thrust "The Staged Approach"





Large Commercial Lighting Program "Our Case Study Focus"

- New is the Large Commercial Lighting Retrofit Program > 100 KW.
 - Rebates are calculated on project basis
 - KW, KWH Savings, & Invoice Price of Retrofit are key inputs.
 - CPS Energy avoided capacity and energy values considered along with key financial ratios in determining the rebate amount.
 - Rebates "up to" 75% of the Invoice Price for the retrofit are available.
- This aggressive rebate dramatically reduces client paybacks; 6 months to 1 year in many cases.



Initial Design of the Program

- The focus of the program is large scale commercial lighting retrofits.
- The initial program design revolved around public school facilities (Marshall High School NISD).
- This ensured that our largest concentration of facilities (some 500 ISD schools and offices) would be able to participate easily in the program.



Relighting San Antonio

- Currently, lighting retrofits for 70 facilities are in the program queue creating 3 MWs of power supply.
- Participants include AT&T, HEB, and a number of large office complexes and retailers.
- NISD, SAISD, SWISD, Judson ISD, have committed to the program and are formulating final plans now.



Success Factors

- Designing the program around an actual retrofit project and with targeted client (NISD) input.
- Aligning our process with lighting contractor proposal process.
- Working in collaboration with lighting contractors to “get the business”.
- Making sales calls on key targeted segments (ISDs).



Lessons Learned

- Projects for commercial entities have gone well.
- ISDs must work through their contractor bid process to streamline as much as possible.
- Schools can create funding with the first lighting retrofit, feeding it with subsequent projects to manage ongoing cash flow needs for future work.
- Need for appropriate local permitting.



Conclusion

- For the EE and DR Power plant to produce supply, investment in large scale efficient technology is required.
- Rebate incentives must push clients to make investments rather than being a "Free Rider" on the EE bus.
- CPS Energy's Large Commercial Lighting program is accomplishing this goal.