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## Cash in on Rebates

By Susan Bloom

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For any electrical distributors questioning the current strength or availability of utility rebates and other monetary inducements encouraging the use of energy-efficient building envelope technologies such as lighting, motors, HVAC, etc., the market is solid and growing. There's never been a better time for distributors to secure lucrative upgrade business by helping customers cash in on these attractive financial incentives.

### Rebates: The first frontier

The availability of utility-sponsored rebates on a broad range of energy-efficient electrical products first became popular in the 1980s after the oil crisis of the 1970s focused the nation's attention on the status of its precious and finite energy supply. Rebates, financial incentives, and other demand-side management (DSM) measures that encouraged energy conservation were made available because they proved to be an effective and significantly less-costly way to meet the country's growing energy requirements relative to the supply-side construction of more power plants.



According to Department of Energy surveys, utility offerings of rebates and other demand-side-management measures hit their peak in 1993 and 1994, when the nation's 3,200-plus utilities collectively spent more than \$2.7 billion annually to encourage the use of such energy-efficient products such as T8 fluorescent lamps, electronic ballasts, occupancy sensors, and high-efficiency motors and drives. Following a near decade-long decline in the magnitude of DSM instruments made available to the market (and after a specific 2003 downturn in the aftermath of 9/11), utility rebate monies rebounded in 2004 and are expected to remain strong, with an ongoing emphasis on shifting the market toward the newer and more energy-efficient technologies.

Utility rebates can take a number of forms, from a "prescriptive" format, in which a utility offers a menu of energy-efficient product rebates and pays out financial incentives upon installation of the product(s), to more customized programs, where the payment is determined based on the magnitude of kWh saved. Either way, incorporating a rebate into the already financially attractive lighting upgrade can further reduce project costs by as much as between 30 to 40 percent, subsequently hastening payback periods and enhancing returns on investments (ROIs).

## Today's lighting rebate market

Time, experience and budget limitations may have forced utilities to redesign their rebate programs over the years in order to get the biggest bang for their buck, but most new programs have been met with overwhelming response from the marketplace. For example, a roughly \$30 million lighting rebate program recently offered by a major California utility was fully allocated just two weeks after being announced. And, a \$5 million offering by a large Texas-based utility generated an extensive and enthusiastic waiting list.

“Rebates as a concept and as a means of reducing energy consumption will remain strong because they're effective,” says Todd Jarvis, chief operating officer of Wheatstone Energy, an Atlanta-based energy services company (ESCO). In the case of the offering by the utility in California, says Jarvis, “The \$30 million that was made available — which helped to fund at least \$90 million of lighting upgrade projects — freed up significant levels of megawatt capacity in that area in a fraction of the time and at a lower price tag than it would take to build new capacity.”

According to Ed Skeffington, vice president of Massachusetts-based Northern Energy Services Inc., lighting rebates in his region are definitely still strong but have been revised somewhat in light of recent skyrocketing electricity rates. “Instead of automatically being offered on traditional energy-efficient T8 lamp and electronic ballast products as has been historically done, we're seeing more and more lighting rebates being focused on the latest generation of technologies that drive elevated energy savings, such as T5 products and new high-efficiency T8 fluorescent lamps and electronic ballasts,” says Skeffington.

## The impact of EPAct

Adding more financial fuel to the lighting upgrade fire is the Energy Policy Act of 2005 (EPAct 2005). Considered to be among the most sweeping bodies of legislation to affect the nation's energy production and consumption in decades, EPAct 2005 set a host of new product-efficiency standards and supports enhancements to the nation's electric grid and generating infrastructure. The energy policy also introduces attractive new federally-sponsored financial incentives that reward the use of energy-efficient lighting, HVAC, and other high-efficiency building envelope technologies in both qualifying new installations as well as retrofit applications.

Available for eligible technologies placed into service between Jan. 1, 2006, and Dec. 31, 2007, these new financial incentives are offered in the form of tax deductions providing up to 60 cents per square foot on the installation of energy-efficient lighting products that result in a building's increase in energy efficiency by 25 percent to 40 percent or more over the ASHRAE 90.1-2001 standard. Tax deductions of up to \$1.80 per square foot are available on qualifying whole building upgrades involving a totality of technologies that improve a building's energy efficiency by 50 percent or more over the ASHRAE 90.1-2001 standard.

Government and industry experts generally concur that EPAct 2005 will have a significant impact on the lighting upgrade market because it makes additional financial incentives available on top of the benefits of the high-performing, energy-efficient products and attractive utility rebates already offered by the industry.

Says Northern Energy Services' Skeffington, "In many cases, current lighting upgrade projects being conducted were already meeting the criteria that would make them eligible for EAct tax deductions, but they were being done without that incentive. EAct now offers that incremental benefit."

Wheatstone Energy's Jarvis agrees and further believes that EAct 2005 provides the official endorsement that will help change the industry. "With the backing and credibility now offered by the government, the market doesn't have to 'sell' the upgrade opportunity anymore," he says. "Now the focus is more on 'how do we do it?' and 'which specific products will optimize the application for the customer?'"

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Susan Bloom is the manager of public relations for Advance, Rosemont, Ill. Reach her via e-mail at [susan.atc.bloom@philips.com](mailto:susan.atc.bloom@philips.com).

### Rebate and EAct 2005 Resources at a Glance

These resources can help you learn more about the utility rebates and financial incentives available for energy-efficient building retrofits.

#### Utility and State Incentive Programs

- For Department of Energy-based information on energy-efficiency funds and demand response programs by state, visit [www.eere.energy.gov/femp/program/utility/utilityman\\_energymanage.cfm](http://www.eere.energy.gov/femp/program/utility/utilityman_energymanage.cfm).
- For information on state incentives offered for renewable energy, visit [www.dsireusa.org](http://www.dsireusa.org).
- For information on the services offered through comprehensive rebate administration firm Real Win Win, visit [www.realwinwin.com](http://www.realwinwin.com).
- *Electrical Wholesaling's* 2006 Rebate Resource (page 30) provides information on many of the rebate programs now in effect.

#### EAct 2005

- To review the official "NEMA Assessment of the Energy Policy Act of 2005," visit [www.nema.org](http://www.nema.org).
- For summary information on the 2005 Energy Policy Act as well as the comprehensive benefits associated with energy-efficient lighting upgrades, visit [www.energybillinfo.com](http://www.energybillinfo.com).
- For detailed information on the new federal tax deduction opportunities available through EAct 2005, visit the dedicated NEMA-Commercial Building Tax Deduction Coalition site located at [www.efficientbuildings.org](http://www.efficientbuildings.org).
- For information on ASHRAE 90.1-2001 standards, visit [www.ashrae.org](http://www.ashrae.org) (the American Society of Heating, Refrigerating, and Air Conditioning Engineers).

## Tips for Cashing in

Given the overall financial attractiveness of the lighting-upgrade opportunity and the range of supplemental financial incentives being offered to drive further upgrade activity, are you tapping into your share of the benefits? These tips will help you capitalize on available rebates and financial incentives and maximize your participation in the lucrative upgrade market.

- **Canvas your customer base for lighting-upgrade opportunities**

Opportunities for lighting upgrades are often abundant within a distributor's existing customer base and distributors are in the enviable position of having access to their customers' ongoing purchases. By being observant of your customers' current purchase patterns and usage, you have the unique ability to recommend an upgrade project or a package of products that your customer may not have even known was in their best interests.

- **Know your facts**

Understanding the big picture as well as the comprehensive benefits that result from a lighting upgrade will help you to sell the upgrade story to your customers. A knowledge of standard corporate and financial terms, such as payback period, ROI, IRR (internal rate of return), etc., is helpful so that you can speak the language of your customer base, enabling them to understand the full depth of the upgrade opportunity and the benefits they can accrue, both with and without a rebate or other incentive.

- **Familiarize yourself with your local utility**

While upgrade projects are extremely attractive investments all on their own, the potential addition of utility rebates can only "sweeten the deal," hastening payback periods and elevating returns on investment for your customer. Contact the utility companies in your region to learn about the current programs and incentives offered to encourage the use of energy-efficient lighting products such as lamps, ballasts and lighting controls.

- **Familiarize yourself with other local resources**

Your customers might be surprised to learn other resources exist that could help defray the cost of an upgrade — from loans designed especially for upgrade projects to state and local grants earmarked for such activities. Your state's Energy Office or your local utility can update you on the programs and resources offered and how to qualify for these benefits.

- **Establish partnerships for increased market strength**

Teaming up with an energy services company (ESCO) or other provider skilled in the specifics of lighting upgrades, energy analysis, energy-efficient products, and rebate/incentive administration can help broaden your served market, strengthen the arsenal of services you can offer customers, and establish a distinct advantage for your distributorship within a competitive marketplace.

- **Don't wait**

Lighting upgrades routinely drive payback periods of two to three years or shorter and 30 percent to 50 percent returns on investment. Whether or not a rebate is available to your customer, the lighting upgrade opportunity is still an extremely attractive investment that makes financial sense all on its own. With electricity costs continually rising, qualified efforts taken to reduce energy costs and consumption today are generally justified.

“We've seen many good upgrade projects tabled because a rebate wasn't available,” laments Wheatstone's Jarvis. He suggests that rebate opportunities not be considered the focal point of a project, but rather as ‘icing on the cake’ if they are available to your customer.

On top of the extremely attractive returns lighting upgrades generate on their own, existing rebate and new EPC Act 2005 tax deduction opportunities provide an even more compelling reason for your customers to pursue energy-efficient lighting upgrades today. As both a product/service provider and an invaluable pathway for reducing customers' operating costs, don't wait to capitalize on the tremendous financial, environmental, and aesthetic benefits that an energy-efficient lighting upgrade — boosted by a range of utility rebates and other financial incentives — can offer your customers and your bottom line!

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