



Lighting Upgrades Made Easy:

The Path to Energy Savings

Did you know?

A recent survey of Chief Financial Officers nationwide by the Energy Cost Savings Council found that the vast majority was either “satisfied” or “very satisfied” with the results of lighting upgrades they had managed or overseen in their facilities — e.g., the upgrades witnessed by the CFOs had overwhelmingly delivered the energy and cost savings promised.

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According to studies by the Department of Energy, nearly 90% of the estimated five million commercial, industrial, and institutional buildings in the U.S. were built prior to 1986, before the introduction of many of the energy-efficient lighting technologies which are often standard in today’s new construction. A large majority of these buildings still contain out dated lighting systems, which could readily be upgraded to achieve substantial energy and cost savings.⁽¹⁾ ...

Lighting upgrades can routinely reduce facility energy and usage costs

Capitalizing on this vast opportunity, thousands of companies across the country have subsequently undertaken or are pursuing energy-efficient lighting upgrades to significantly reduce their energy costs and improve the quality of their lighting systems. Lighting upgrades involving such products as energy-efficient lamps, ballasts, and lighting controls widely available in the marketplace today can routinely reduce lighting costs by up to 30-50% and pay themselves back within two to three years or less, an attractive proposition by most company standards. With lighting costs accounting for an estimated 30-40% of total energy usage in a typical commercial building, the pursuit of an energy-efficient lighting upgrade can help reduce total facility energy consumption and costs by as much as 20-25%.⁽²⁾⁽³⁾

Tax deduction opportunities within the Federal 2005 Energy Policy Act

And if these results didn’t qualify lighting upgrades as extremely attractive investments all on their own, the 2006-2008+ availability of commercial tax deductions for eligible upgrades through the Federal government’s 2005 Energy Policy Act provides an even more compelling reason to pursue an energy-efficient lighting upgrade in your facility today.

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Steps to Implementing an Energy-Efficient Lighting System

If you're overwhelmed by the prospect of undertaking a lighting upgrade within your facility, you needn't be, because conducting a lighting upgrade is easier than you may think. Following is an overview of the basic steps involved in conducting a lighting upgrade and getting on the road to energy and cost savings:

1) Starting Point

Get a general estimate of the potential energy savings in your facility. – If you don't possess the in-house expertise to handle this initial step, a local electrical distributor, energy service company (ESCO), or utility professional can give you a low or-no-cost (and no-obligation) ballpark estimate of the savings you could accrue by upgrading your facility's lighting with more energy-efficient technologies.

2) Pursue a more detailed facility audit

Should the ballpark estimate reveal an actionable opportunity, a second, more thorough audit by one of the aforementioned types of professionals would be the next step. Though not necessarily free of charge, a confirming audit will generally include a comprehensive itemization of the opportunity within your facility and the audit fee can often be applied towards the cost of the actual upgrade. A detailed audit proposal is a critical document, as it will typically outline the specific lighting products recommended, the cost outlay associated, the energy and cost savings achievable, and the terms of the project.

3) Decide how to finance the upgrade

A wide array of financing options are available to fund an upgrade and, contrary to popular thinking, often do not rely on an up-front cash outlay by the facility. Energy service companies and utilities may offer shared savings plans (in which they are paid out of the facility's guaranteed cost savings), and upgrade-related loans and leases are other options. In addition, many utility companies across the country also offer cash rebates on a range of energy-efficient lamps, ballasts, and controls to incentivize end users to save energy. When these rebates are applied to the cost of an upgrade project, they can significantly speed up its payback period and elevate the return on investment.

And again, the availability of government-sponsored tax deductions for qualifying upgrades in 2006-2008+ through the 2005 Energy Policy Act represents another compelling financial incentive rewarding the use of energy-efficient lighting technology.

4) Complete the upgrade

Lighting upgrades are fairly simple to undertake but can have a quick and sizable impact on the bottom line. Though some disruption to a facility's operations may occur while an upgrade is in progress, a carefully-managed project conducted by skilled, accredited professionals can help insure a quick installation process and help keep such disruptions to a minimum.

5) Reap the Benefits

Thousands of other companies who have undertaken upgrades can verify that the savings are real and ongoing for the life of the lighting products (from 4-20 years, depending on the product and the application). Facilities that have undertaken upgrades can also bask in the knowledge that they have contributed positively to the environment as well as enhanced facility ambiance, worker comfort, and employee productivity levels.

Could your facility space and bottom line benefit from a lighting upgrade? Take the low-risk step of having a preliminary audit conducted in your facility and find out. The magnitude of the opportunity may surprise you!

Bringing Lighting Upgrades to the Decision Table

While lighting upgrades have proven to be some of the most attractive investments around, a sound presentation is still critical when proposing a lighting upgrade to your firm's decision-maker(s). Here are some tips that will help you sell this beneficial investment to your organization's management team:

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. A knowledge of standard corporate and financial terms (such as payback period, ROI, IRR, etc.) is helpful so that you can speak the language of your Finance or Executive team and enable them to understand the full depth of the upgrade opportunity and the comprehensive benefits they can accrue.

Know Your Firm's "Hot" Buttons

Knowing your firm's key issues can help you present an investment in lighting technology in terms your management team can relate to. At one hospital, for example, energy costs were not considered a high priority but payroll costs were a key concern...so the facility executive translated the savings that could be derived from a lighting upgrade into the number of salaried jobs it represented and quickly got the Executive team's attention.

Learn About Your Utility's Incentive Programs

Many utility companies across the nation offer financial incentives or product rebates to reward the use of energy-efficient technologies. While upgrade projects are extremely attractive investments all on their own, the potential addition of utility rebates into the equation can only "sweeten the deal," hastening payback periods and elevating returns on investment. Contact the utility company in your region to learn about the current programs and incentives being offered to encourage the use of energy-efficient lighting products such as lamps, ballasts, and lighting controls.

Know Your Financing and Other Funding Options

There are many ways in which a lighting upgrade project can be funded, from undertaking the entire capital improvement expenditure up front to financing it through conventional loans, leases, or shared savings plans with a third party. A variety of other resources are also available to 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 provide information on the programs and resources offered and how to qualify for these benefits.

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As part of our effort to support environment responsibility, we're proud to offer Smart Solutions™ - products, services, and expertise to help you achieve your lighting sustainability goals at every level. For more information, visit www.philips.com/advance.

Sources:

- (1) Based on findings from the 1999 Commercial Buildings Energy Consumption Survey (CBECS), published by the U.S. Department of Energy and the Energy Information Administration, as well as the 2002 U.S. Lighting Market Characterization (Volume 1), published by the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy
- (2) The Energy Cost Savings Council's Analysis of 1,000 Electrical Product Upgrade Projects (1998)
- (3) Based on findings from the 1999 Commercial Buildings Energy Consumption Survey (CBECS), published by the U.S. Department of Energy and the Energy Information Administration, as well as the 2002 U.S. Lighting Market Characterization (Volume 1), published by the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy



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