

Dear valued Customer:

## **THE BAD NEWS AND THE GOOD NEWS**

As one of our customers we would like to take this opportunity to Thank You for your business. We feel obligated to inform you of some upcoming events which will likely affect most of our customers.

OG&E has received permission from the Corporation Commission to raise the power factor that they bill Commercial/Industrial customers from 80% to 85%. You might be saying what is power factor? A brief explanation is that OG&E bills wattage or watt-hours, this does not account for reactive power, which all customers require for inductive loads (motors, transformers, etc.). Power Factor (PF) is the effectiveness which a system converts volt-amperes to watts, OG&E in the past has either not measured PF or has been at the 80% level.

OG&E is planning to install new meters with the capability of measuring power factor (if not already in place). OG&E will (and currently does for some customers) bill for bad power factor as a multiplier to the demand charge. You may already be paying for this on your current utility bill, depending upon your rate structure. An example would be if your demand charge is 200 KW for the month and your power factor is an average of 70% OG&E would add for summer months a billing demand of  $.85$  (threshold)  $\times$  200 KW (your demand)  $/$   $.70$  (your actual power factor) = 242.85 your billable demand factor. For the typical commercial/industrial customer this would equate to an increase in their demand charge of approximately 18%, which could be very significant for some customers with high demands and low power factor.

We can measure your power factor, using our Power Quality metering equipment, and let you know your actual power factor. Then we can evaluate the most cost effective measures to achieve power factor above 85% for your distribution system.

Power factor can be increased by adding capacitance to your system. This is usually done by either adding capacitor units at individual motor loads or by adding an

automatic capacitor bank near your panels or service equipment to automatically keep your power factor above the 85% to 90% level.

Of course, the main advantage will be lower electric bills. A secondary advantage is that higher power factor also reduces load on your distribution equipment which can free up additional power for future equipment and remove heat from your existing equipment, that is near capacity.

### **Read on, there Is Good News!**

Here's the good news from OG&E. They are set to introduce some incentive programs in early 2010 for customers who reduce their energy use. By doing this they will not have to build additional generating plants before 2020. Some of these proposed incentives are below.

#### **Commercial & Industrial Customers:**

**1-**Replace existing T-12 fluorescent lamps with T-8 or T-5 lamps and receive:

\$4.00 per fixture for 1 to 2 lamp fixtures

\$8.00 for 3 to 4 lamp fixtures

**2-**Replace HID fixtures with Fluorescent fixtures (typically 400 watt metal halidehi-bays)

\$52.00 per 400 watt HID fixture replaced

\$102.00 per 750 watt HID fixture replaced

**3-**Replace inefficient incandescent fixtures with **hard-wired** compact fluorescent fixtures:

\$8.00 per Fluorescent fixture of 26 watt or less

\$11.00 per fluorescent fixture of greater than 26 watts.

**4-**Replace inefficient incandescent exit fixtures with LED exit fixtures:

\$5.00 per LED Exit fixture

**5-**Incentive for Lighting and or controls not mentioned above \$160.00 per KW of reduced peak demand. (Customer must have a demand meter now.)

**6-**OG&E will provide an incentive of \$250.00 per KW reduction in the connected load; requires electrical metered data prior to project installation.

(We believe this would apply to a new process machine, air conditioner, air compressor, etc. which would replace an existing unit and consume less overall energy.)

We would be more than happy to work up a quote for any retrofit work that would fall under one of these incentive programs. These incentives go directly to you, the customer, from OG&E.

Personally we believe the HID to Fluorescent retrofit is a very good incentive.

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Tom Baker

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Paul Baker

P.S. Please do not confuse Industrial/Commercial power factor correction we would propose with the "snake oil salesmen" who are promoting KVAR or power factor correction units for residential customers on the internet. They serve no function for residential customers, as we know of no customer being charged for bad power factor at the residential service level. We would also not recommend any correction if it were not beneficial to you, our customer.

P.S.S. It is rumored that OG&E is looking to raise the Power factor threshold to 90% in 5 years.