Linda Smith
State Technical Support Liaison
Energy Services Coalition

State Clean Energy-Environment Technical Forum

Using Performance Contracting for Implementing Energy Efficiency
April 2008
Energy Performance Contracting
At A Glance

Projects pay for themselves!

Savings stack up over time...

A way to upgrade your facilities without dipping into your capital budget

Use future energy savings to pay for projects
Energy Performance Contracting
How It Works

Money otherwise owed to the gas or electric utility pays for equipment!
Energy Service Company (ESCO) will put the pieces together

- Identify and evaluate opportunities (energy audit)
- Design systems (engineering), specify & purchase
- Manage construction
- Arrange for financing
- Provide long-term energy management services
- Guaranteed performance
2 Contractual Agreements Secured by ESCO Guarantee

- **Customer**
  - Performance Contract
- **ESCO**
  - ESCO guarantee: Savings => Payment
- **Financing Company**
  - Lease-Purchase Agreement
Focus on Performance Contracting - Many Advantages

For the Facility Owner

- Better Buildings!
- Improved Comfort!
- Maintenance Problems Solved!
- Solution to limited budgets
- Comprehensive, whole-building approach for deep savings
- Staff Training
- Ongoing project monitoring to ensure sustained savings
- Risk of performance transferred to the ESCO with the performance guarantee

For the State

- A diversion of utility dollars to effect . . .
  - Infrastructure Modernization
  - Long term reduction in energy consumption
  - Environmental Stewardship
  - Our Nation’s Safety
Energy Services Coalition (ESC)

A Public-Private Partnership

State Energy Offices working with

Energy Service Companies (ESCOs),
finance companies, vendors and others involved in performance contracting

To increase energy efficiency in buildings through

Energy Savings Performance Contracting
ESC - State Chapters

States with Chapters  States with Members
New ESC Initiative funded by DOE: Increase performance contracting nation-wide by $2 Billion

![Graph showing Project Investment with ESPC Initiative in State & Local Markets]

- $0.00
- $1.00
- $2.00
- $3.00
- $4.00
- $5.00
- $6.00
- $7.00

$ Billions

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<tr>
<th>Year</th>
<th>Business as Usual</th>
<th>Initiative Goal</th>
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Accelerate Performance Contracting: Best Practices for State Programs

- State involvement - “stamp of approval” to ease market barriers
- State program
  - A designated leader and a defined program with clear processes
  - Concurrence and support from legal/finance/procurement agencies
  - Pre-qualified ESCOs to streamline procurement
  - Pre-approved contracts to streamline contract negotiations
  - Pre-defined financing mechanism and providers
  - Self-funding program (capture savings to fund program services)
  - Guidelines for monitoring & verification
- Legislation and Executive Order - because it’s not business as usual
- Public/private partnership (or formal ESC State Chapter)
  - Outreach/workshops for end-users
  - Identify and resolve local market barriers

KS, WY & NV developed a full-scale program with 1-2 people! ESC provides guidance and tools to help other states do the same.
ESC Tools & Services
(in process)

State Program “in a Box”
- Exemplary procurement/contract documents
- Sample legislation & executive orders
- Educational resources

Peer network of SEOs

Professional network of ESCOs

One-on-one support from ESC
- Help develop the public/private partnership
- Guidance on program development (from concept to implementation)
- Proven strategies
- Customized support to fit your needs

Web-based metrics collection – “State Race to the Top”
Kansas
Facilities Conservation Improvement Program (FCIP)

- Pre-approved ESCOs with pre-negotiated markups
- Energy experts to assist in each step to insure success
- A self-funding program
- $132 million investment (correctional facilities, universities, community colleges, state departments, cities, counties & other institutions)
- $11 million annual savings
- A self-funded, fee-based program (fees derived from energy savings total $375,000 to date)
Colorado

- Since 1998
- Provides technical support to help end-users develop and follow-through on projects
- New – Pre-qualified ESCOs & pre-negotiated/approved contracts
- Facilitated $202 million in performance contracting projects (completed or in process)
- Developed markets for large and small/rural projects
- Achieved $55 in energy efficiency investments for each $1 in program costs (justifying program budget)
- Flagship project - $14 million at capitol complex
Wyoming

**WYECIP (Wyoming Energy Conservation Improvement Program)**

- Energy Performance Contract (EPC) Based Program
- Pre-qualified Energy Service Companies (ESCos)
- Managed by WBC-State Energy Office
  - Technical & Contracting Support for Facility Owners
  - Standardized Process and Documents

**Fall 2006** – Launched program (pre-qualified ESCOs, approved contracts, program process)

**Spring 2008** – 12 projects in process (only 122 towns/cities/counties in the state)
Hawaii

- SEO Program
- Program guidelines and user guidebook,
- Now developing standardized documents
- Provide technical & contracting support for facility owners

7 projects (university, counties, city, healthcare complex, public housing authority) totaling $47 million

In 2008, Governor Lingle signed an agreement that Hawaii will meet 70% of its energy demand by 2030.
Nevada

Nevada ESPC Program

- Pre-qualified ESCOs
- Pre-approved contracts
- Pre-qualified 3rd party consultants
- Projects: $40 million (colleges, state departments, school districts, cities)
- ESC Services
  - New ESC state chapter to educate end-users
  - Successful workshop for state government
Alabama

- ESC chapter formed two years ago

- $26.5 million in projects in development
  - Dept. of Mental Health and Mental Retardation
  - Pardon and Paroles
  - Agriculture and Industry
Call Us!

WEST
Linda Smith
LSmith@energyservicescoalition.org
303-582-5198

EAST
Eddie Riddle
ERiddle@energyservicescoalition.org
502-330-1134

WEBSITE
www.energyservicescoalition.org