

Energy Efficiency – Working with Energy Service Companies



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•Definition of ESPCs

ESPCs are contracts that allow agencies to procure facility improvements with no up-front capital cost and without special appropriations from Congress.

An energy service company (ESCO)

- Incurs the cost of developing and implementing the energy project
- Guarantees a specified level of cost savings

The customer (agency/site)

- Pays the ESCO over the term of the contract out of the energy and energy-related (operations & maintenance) savings resulting from the project

Key Points about Federal ESPCs

Savings guarantees are mandatory

- Energy and water cost savings
- Energy- (and water-) related cost savings

Savings must exceed payments in each year

Measurement and verification (M&V) is mandatory for the life of the project

Contract term cannot exceed 25 years



YES, ESPCs ARE LEGAL

Authorities:

- National Energy Conservation Policy Act (42 USC 8287), Title VIII Shared Energy Savings (1986)
- Energy Policy Act (EPACT), Public Law 102-486 (1992)
- DoD Authorization Act FY05, Public Law 108-375 (2004)
- Energy Policy Act of 2005
- Energy Independence and Security Act of 2007 (H.R. 6 ENR) – permanent reauthorization (Sec. 514)

Precedents:

- 1st federal projects in mid-'90s
- Super ESPCs: 11 years, 200+ projects

Super ESPC Process, Phase 1 – 5

Phase 1: Project Planning

Phase 2: Preliminary Assessment / ESCO Selection

Phase 3: Negotiation and Award of Task Order

Phase 4: Design and Construction, Project Acceptance

Phase 5: Performance Period

Significant Contributions of ESCOs

More than 550 ESPC projects worth \$3.6 billion were awarded to 25 federal agencies and organizations in 49 states and D.C. as of March 2010. These projects saved:

- 30.2 trillion Btu annually; equivalent to the energy consumed by 318,300 households or a city with a population of 818,000.
- \$11 billion in energy costs (\$9.6 billion goes to finance project investments; \$1.4 billion is net savings for the Federal Government.)