



U.S. Department of Energy
Energy Efficiency and Renewable Energy

Bringing you a prosperous future where energy is clean, abundant, reliable, and affordable

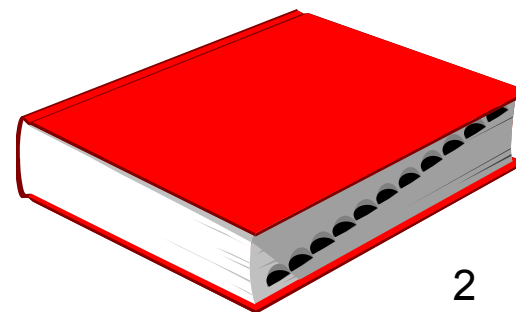
Super ESPC

***Energy Savings Performance
Contracting***



Definition of Energy Savings Performance Contracting (ESPC)

ESPC is a no-upfront-cost contracting method. The contractor incurs the cost of implementing energy conservation measures (ECMs) and is paid from the energy, water, and operations savings resulting from these ECMs.





Why do an ESPC?

- Meet energy reduction and environmental goals
 - confirms agency commitment to achieving goals
- Improve facilities: comfort and reliability
- Provide facility with energy data
- Save taxpayer money
- Faster process (than appropriated projects)
- Interoperability
- Good for community relations
- Fixed price contracts—no change orders
- Avoid cost of delay and inaction
- Fast construction
- Avoid deferred maintenance



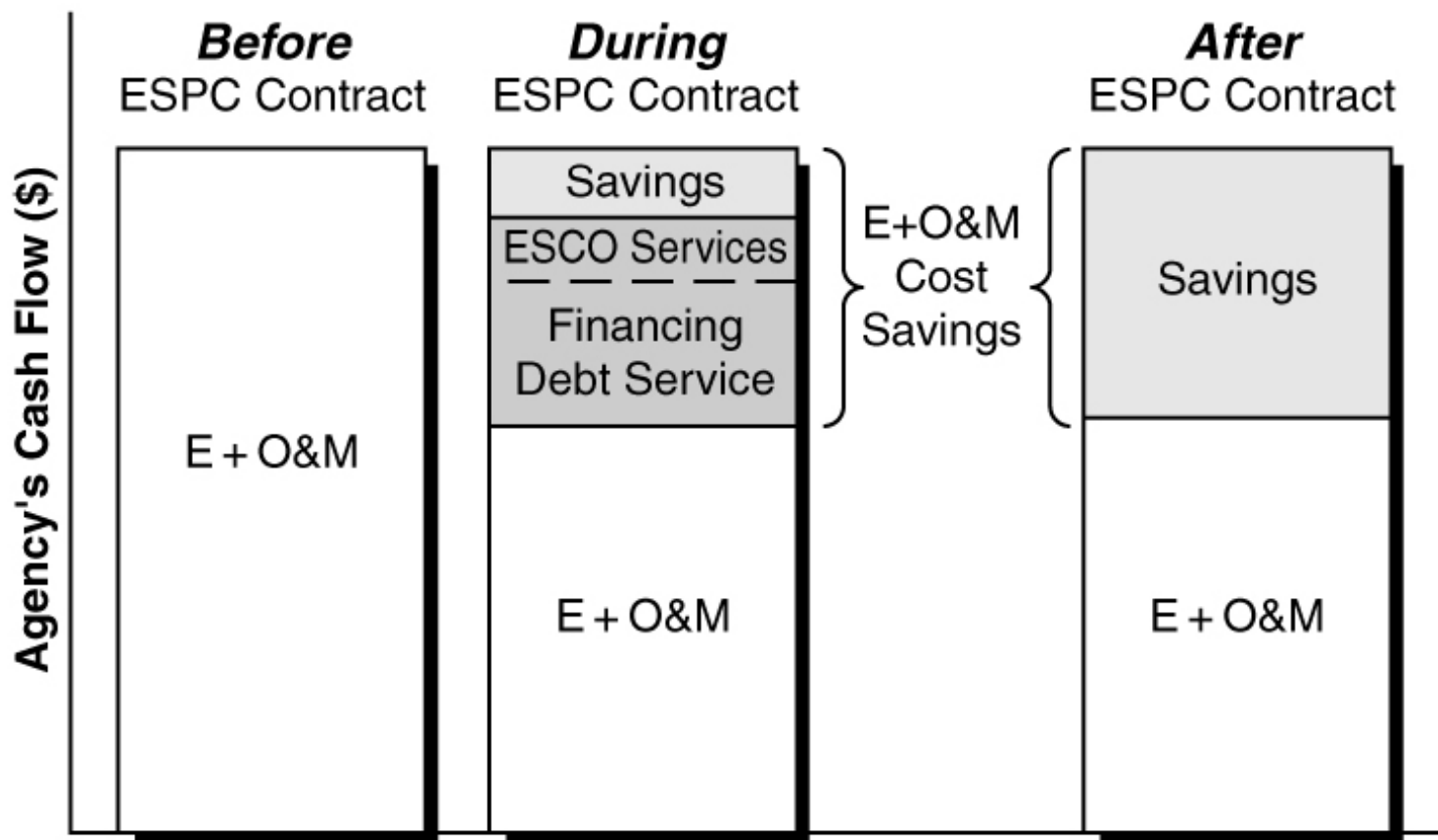
More on: Why do an ESPC?

- ESCO has incentive to find all ECMs
- ESCO has incentive to provide high quality equipment that will perform long after installation
- ESCO has incentive to do all punch list items timely
- ESCO has incentive to commission well



Reallocate the Government's Utility Bill

- ✓ Pay a lower utility bill
- ✓ Pay the contractor
- ✓ Achieve cost savings for the government





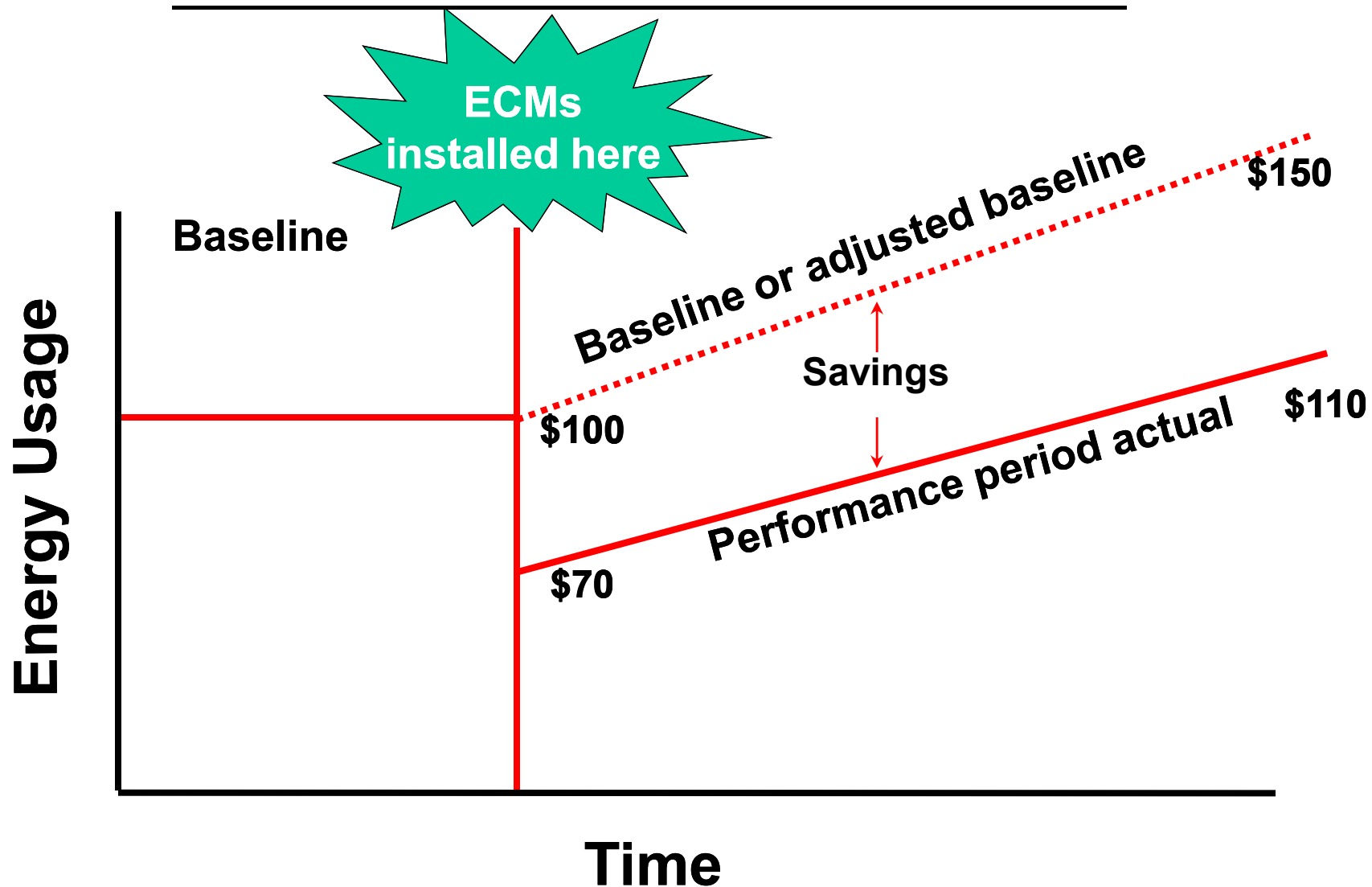
ESPCs re-allocate current spending

- **Reduce spending on:**
 - Wasted energy
 - Maintenance of old, inefficient equipment
- **And reallocate the same spending to:**
 - New energy-using infrastructure
 - Project financing costs (mostly interest)





Pre & Post Installation Costs





ESPC

Background

- 1992 ESPC legislation enacted
- 1995 DOE promulgates ESPC regs
- 1998 DOE streamlines process: *Super ESPC*
- 2005 ESPC reauthorized thru FY 2016
- 20 Dec 2007 permanent authorization and amendments



Energy Independence & Security Act

Effective date: 20 December 2007

- Permanent
- Financing Flexibility
 - “...may use any combination of appropriated funds and private financing...”
- Repealed Congressional Notification
- Prohibits agency-wide policy limiting contract term (statute allows 25 years) or investment amount
- Allows sale of electricity off site



EO 13423 Instructions

- *“Appropriations should be requested in annual budget requests and prioritized for application in projects or measures that do not generate savings sufficient to support private sector financing or for application as cost share to ESPCs/UESCs so that larger, more comprehensive projects can be undertaken.”*

In other words: exhaust private financing opportunities before using scarce appropriated funds; reserve appropriated funds for things that don't self-fund.



Key points about federal ESPCs

- Savings guarantees are mandatory
- Savings must exceed payments in each year
- Measurement and verification (M&V) is mandatory
- Contract term cannot exceed 25 years





Super ESPC steps

- ▶ Meet with DOE Federal Financing Specialist
- ▶ Pick Energy Services Co.
- ▶ Preliminary Assessment
- ▶ Notice of Intent to Award
- ▶ Investment Grade
- ▶ Final Design
- ▶ Installation
- ▶ Acceptance
- ▶ 1st invoice
- ▶ 1st Year Monitoring & Verification (M&V)
- ▶ Annual M&V