

November 5, 2013

Gary Lee
President
County Commissioner Association of Ohio
209 East State Street
Columbus OH 43215-4309

Dear Mr. Lee:

I am writing to alert you to a situation that I believe is depriving your member counties of significant value in the implementation of energy efficiency projects in county facilities: the use of a single vendor to define the scope of energy savings performance contracts. The system currently being promoted by the CCAO does not use national best practices, and has been tried and rejected by the federal government and a number of states during the past decade. Ohio energy service companies have historically supported CCAO with sponsorships and exhibits at CCAO conferences, and we do not understand why the CCAO is promoting a project approach that is not optimal for member counties.

As you know, an Energy Savings Performance Contract (ESPC) enables a public facility to re-purpose the money it currently spends on wasted energy into a payment stream that amortizes the cost of energy-saving capital improvements – lighting, heating and air conditioning, computerized controls, and building envelope measures (windows, doors, roofs). One energy service company (ESCO), selected through a competitive RFQ or RFP, provides the full set of services required to develop and implement a turnkey project: energy audit, engineering design, education in project finance alternatives, construction management, monitoring and verification of project savings, maintenance of the project measures (at the customer's option) and a guarantee of project savings.

One of the key elements of competition between ESCOS is in developing the scope of the project. Each ESCO makes its own assessment of the customer's facilities, understands the customer's financial needs and technology preferences, and proposes a project that it thinks will best meet the customer's requirements. Having a single vendor specify the project scope eliminates this competition and diminishes the value that the competition can produce for the customer. This is why the federal government and state governments that have tried this approach have now dropped it.

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In the case of the CCAO, the structural problem of limited competition is compounded by the fact that the vendor you have chosen, Palmer Energy, has experience primarily in the field of energy procurement, not energy conservation. It appears that the original intent of the agreement between CCAO and Palmer Energy has evolved into more than was originally intended, and more than is in the best interest of your member counties.

We therefore urge the CCAO to stop promoting Palmer Energy and the non-competitive development of project scope to counties as the preferred method of implementing ESPC projects.

Thank you in advance for your consideration of this request. I am happy to answer any questions you may have about NAESCO or the best practices for competition in ESPC projects. Please call me at 978-740-8820.

Sincerely,

Donald Gilligan
President

Cc: Suzanne Delaney, Executive Director, CCAO

Introduction to NAESCO

NAESCO is the leading national trade association of the energy services industry. NAESCO numbers among its members some of the world's leading energy services companies, including: ABM Energy, AECOM Energy, Aireko Energy Solutions, Ameresco, Burns & McDonnell, CM3 Building Solutions, Chevron Energy Solutions, Clark Energy Group, ClearEnergy Contracting, Climatec, Comfort Systems USA EnergyServices, ConEdison *Solutions*, Constellation New Energy, Control Technologies and Solutions, CTI Energy Services, Eaton Corporation, Energy Control, Energy Solutions Professionals, Energy Systems Group, Excel Energy, The Fulcrum Group, NextEra Energy Solutions, Green Campus Partners, Honeywell, Johnson Controls, M360, McClure Energy, Navitas, NORESKO, NXEGEN, Onsite Energy, Pepco Energy Services, Performance Services, Schneider Electric, Siemens Industry, Synergy Companies, Southland Industries, Trane, UCONS, Wendel Energy Services, and Wipro Limited. Utility members include the New York Power Authority, Pacific Gas & Electric, and Southern California Edison.

During the last twenty years, NAESCO member companies have delivered more than \$1 billion of energy savings performance contracts to Ohio public buildings. Nationally, NAESCO member company projects have produced:

- \$45 billion in projects paid from savings
- \$50 billion in savings – guaranteed and verified
- 400,000 person-years of direct employment
- \$30 billion of infrastructure improvements in public facilities
- 450 million tons of CO₂ savings at no additional cost