



Energy Performance Contracting: The Smart Investment

The Energy Services Coalition is a coalition of public- and private-sector energy professionals from across the country promoting the benefits of, providing education on, and serving as advocates for the widespread use of Energy Savings Performance Contracting (ESPC) by state and local governments. Since its inception in the late 1970s, performance contracting has been one of the most successful Public-Private Partnership (P3) programs in the United States.

Public officials across the country have embraced the use of performance contracting as the most effective way to reduce operational costs while addressing resiliency and modernization issues, making much needed investments in mission critical facilities and other public buildings and infrastructure.

Performance contracting uses private-sector financing and expertise to design and implement building infrastructure improvements. These improvements are financed through the operational savings realized from the improvements. State Energy Offices typically establish ESPC programs to enable private sector financing and implementation of energy and water cost saving measures, and establish contract terms, allowable measures, and reporting requirements. Energy Service Companies (ESCOs), perform this work, leveraging local and national resources, to provide guaranteed results that ensure the funding stream needed for the project financing is always available. Guaranteed performance means any cost reductions that do not occur are paid by the ESCO. Independent Owner's Representatives are also sometimes used to validate the ESCO's costs and savings on the owner's behalf.

Policymakers have long supported this means of procurement and financing as it not only conserves taxpayer money, but amplifies its impact. Every state and the federal government have created enabling legislation. When lawmakers provide funding, combining that funding with performance contracting can take the scope from infrastructure, and add resilience, security and safety features, and create jobs putting Americans to work.

Management of this valuable tool is performed through the 56 State and Territorial Energy Offices – providing local control and direction for its application. Many of these state energy offices participate in the Energy Services Coalition (our public sector members) and lead public facility retrofit programs, utilizing performance contracting, to serve state and local governments. Historically, these offices have relied upon state funds and federal funding from the U.S. Department of Energy's State Energy Program to support these efforts. In 2009, funding from the Energy Efficiency Conservation Block Grant Program were used, in part, to supplement local government activities in this area. Both programs have provided exceptional taxpayer value and present the opportunity to dramatically leverage private sector investment and associated job creation, while improving infrastructure and lowering state and local government energy costs.

At seven billion dollars per year, performance contracts provide thousands of examples where operational waste of energy and resources is being converted into tangible assets benefitting the nation and improving its building and systems infrastructure:

- Ohio: Jefferson County's 15-year ESPC is reducing energy consumption in 10 county buildings. The \$5.2 million contract is estimated to save the county more than \$435,000 in 2020 with increased savings in each additional year. Work on the project, performed by local contractors, was scheduled to be completed in March 2020.
- Tennessee: In 2018, the Grainger County Board of Education passed an ESPC contract by a unanimous vote of 10-0. This averages to a savings of \$178,612 per year, above and beyond the guarantee savings of at least \$156,361 per year. The project was part of the Tennessee Energy Efficient Schools Initiative.
- California: In 2017 the Santa Paula Unified School District entered a \$4 million district-wide energy modernization project using an ESPC. The project leveraged funding secured through the state's Proposition 39 Clean Energy Jobs Act in the amount of \$1.1 million that lowered the total cost of the project.
- Washington: The Covington Water District installed a hydropower turbine in the utility district's water main in 2019, that will generate roughly 70 percent of the annual energy consumed by the district. The ESPC was executed and administered by the Washington State Department of Enterprise Services (DES) Energy Program. To date, the DES Energy Program has managed more than \$1.2 billion in ESPC projects, saving its public-sector clients more than \$40 million in annual avoided utility costs.
- South Carolina: Medical University of South Carolina (MUSC) has begun a comprehensive ESPC at 50 campus facilities valued at more than \$43 million dollars in infrastructure improvements. Founded in 1824, MUSC is the largest non-federal employer in Charleston, consisting of six colleges and a 700-bed hospital complex. The project is estimated to generate \$3,271,000 in annual energy cost savings under the 15 year contract term.
- Colorado: Walden in Jackson County increased the resiliency of the town's water treatment facility made possible through a 2018 ESPC and with technical support from the Colorado Energy Office's State Energy Program.
- North Carolina: Hoke School Systems Superintendent Freddie Williamson said the ESPC his district entered was the only way the school system could finance needed work without increasing taxes or debt. The \$6.2 million in energy efficiency retrofits implemented as part of the 2015 ESPC are being paid for by guarantees of \$8.1 million in energy savings over the 15 year contract.

For more than 40 years now ESPC has proven over and over again to be a smart solution for public organizations. Your continued support will allow public institutions across the nation to enact much needed facility and system upgrades using avoided energy costs and create local jobs.