



an Overview of....

Energy Savings Performance Contracting (ESPC)

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Objectives

- * Energy Savings Performance Contracting (ESPC)
- * Benefits of ESPC
- * Summary



ESC Mission

The mission of the Energy Services Coalition is to promote the benefits of, provide education on and serve as an advocate for the widespread use of **energy savings performance contracting** in public and private facilities.



Definition

"The use of guaranteed savings from the maintenance and operations budget (utilities) as capital to make needed upgrades and modernizations to your building environmental systems, financed over a specified period of time."

-- United States Department of Energy



Overview

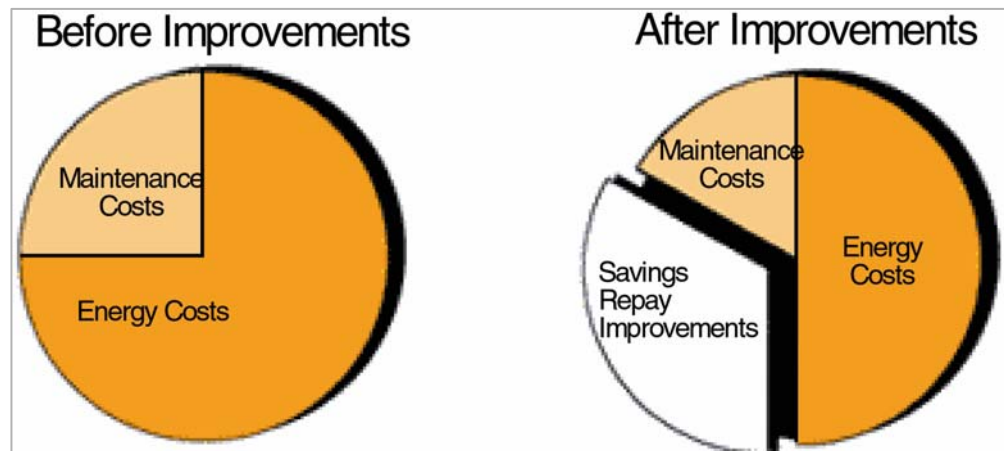
- * An energy services company (ESCO), with expertise in comprehensive energy conservation measures, can identify and evaluate energy saving opportunities.
- * The ESCO will then recommend a package of improvements to be paid for through savings with the final scope of work determined by the building owner(s).
- * The ESCO guarantees that savings will meet or exceed annual payments to cover all project costs, over an agreed debt service period.

If the savings are not achieved the ESCO pays the difference.



Overview

- ✦ Funding for the upgrades is generally financed through a third party with the annual debt service payments covered by the savings generated.



- ✦ The ESCO has a vested interest in equipment performance and operation over the term of project financing.



Why Initiate This Process

- Energy costs are on the rise
- Address facility improvements using existing budgets
- Reallocated funds can be used to address deferred maintenance issues
- Tax incentives & credits, Energy Policy Act Tax Incentive
- Positive environmental impact
- Improving national security



Typical Process Steps

- * Issue Request for Proposal (RFP)
- * Conduct site visit with ESCOs
- * Review RFP responses & client references
- * Short-list highest-ranked ESCOs
- * Conduct oral interviews with short-listed ESCOs
- * Select highest-ranked ESCO
- * Conduct technical audit and analysis (preliminary then final)
- * Contract negotiations, financing
- * Installation of energy conservation measures
- * Post-Installation Measurement and Verification



ESPC vs. Capital Appropriations

- Speed
- Better Accountability
- Selection of ESPC Contractor and, Ultimately, Equipment Selection Based on Best Value vs. Low Bid
- Quality Assurance



Benefits of ESPC

Facility upgrades (partial list)

- Lighting system improvements
- Mechanical/HVAC system retrofits
- Geothermal technologies
- Building control systems
- Water conservation measures
- Window replacements
- Building envelope upgrades
- LED Traffic Signal Upgrades
- Water metering (AMR)





Benefits of ESPC

- * Re-allocation of operating dollars
- * Direct, positive impact on the budget
- * Strategic utilization of capital and operating dollars
- * Extended financing term



Benefits of ESPC

- * Performance and savings are guaranteed
- * Positive community relations
- * Elevates importance of and attention paid to energy
- * Single source accountability, fixed price contract- *No Change Orders*



Summary

- * The ESC promotes a means for building owners to use existing, operating budget dollars to fund facility improvements without the need for capital funding.
- * Energy Savings Performance Contracting is a viable option for both Kentucky public agencies and the private sector.
- * Kentucky is a leader in the use of ESPC nation wide
- * The ESC has many valuable resources that can help you evaluate ESPC and to help you through the process steps.
- * Check with your Kentucky ESC Chapter representatives and visit us at.... www.energyservicescoalition.org



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