



Energy Services Coalition

A Public-Private Partnership

Energy Services Coalition Newsletter

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State Showcase - Pennsylvania



Strategies to embrace new industry trends, new approaches for under-served customers, and seemingly impossible goals with unheard of deadlines - no problem for Pennsylvania's Guaranteed Energy Savings Act (GESA) performance contracting program. Managed by the [Department of General Services \(DGS\) Energy Management Office](#) since 2005, the state energy office's arm for program applications, DGS pro-actively oversees performance contracting projects for the Commonwealth and consults on local government projects. "We're using performance contracts to establish long-term savings opportunities through more efficient buildings," said Bruce Stultz, Director of Energy Management.

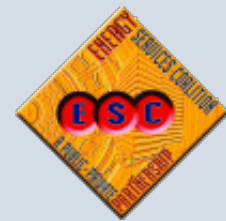


Meeting Aggressive State Goals

In 2008, Governor Edward G. Rendell challenged DGS with a goal to reduce energy use by 20% in DGS facilities (compared to the 2004/2005 baseline year) and to do that by December 2010! DGS met that goal by July 2009 - a year and a half early! The governor responded with a bigger challenge, setting the bar to 25%, and DGS is on-track to meet that.

Needless to say, performance contracting gained acceptance as a way to get projects going and capture deep energy savings. To date, DGS has 41 projects underway totaling \$379 million in facility upgrades. With a recent 20% hike in utility rates, the energy saving measures are heading off a utility budget deficit.

About the ESC



The Energy Services Coalition (ESC) is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency through energy performance contracting.

Energy performance contracting enables building owners to use future energy savings to pay for up-front costs of energy-saving projects, eliminating the need to dip into capital budgets.

ESC Working for YOU

State Energy Offices and similar organizations:

ESC's website offers a growing variety of tools and resources to aid you in accelerating performance contracting in your state. ESC's State Technical Support Liaisons can work one-on-one with you to develop a performance contracting program. Networking opportunities put you in touch with your peers in



Bruce Stultz (right) with Central Plant Manager Mike Penyak and a new chiller in a DGS facility.

Stimulating the Economy

Because DGS is so effective in mobilizing projects, it was *not* given ARRA funds.

In March 2009, DGS was directed to fast-track 15 "shovel-ready" projects to be completed and under construction by December 2010! GESA rose to the challenge, rolling out its strategic plan to issue RFPs every 2-3 weeks. Construction actually began in six months, putting people to work and stimulating the Commonwealth's economy. An estimated \$124 million in project scope is in the works.

Innovative Approaches through Performance Contracting

The utility rate hike in January inspired DGS to dig for further savings. "We believe that with more sophisticated controls we can control 15% of the load in each building, shaping utility usage patterns to negotiate better electricity rates," said Stultz. "We will retain a portion of the rate savings to help fund performance contracting projects that invest further in building controls."

DGS pushed the boundaries of performance contracting to attain [LEED®](#) certification, now going for gold in two facilities and silver in two others. After working through the LEED process the first time, DGS applied its new-found expertise to develop a how-to manual for state agencies - doing that fetched 27 more LEED credits pertaining to Commonwealth policy and procurement practices.

DGS encourages [ENERGY STAR® Portfolio Manager](#) to monitor buildings from the first-look through follow-up monitoring and verification to validate savings. One building already displays an ENERGY STAR plaque indicating superior performance and four more are close to achieving the threshold rating.



Despite the current economic challenges, DGS is keeping the financing arena competitive with the standard lease option and Certificates of Participation (COPs), and investigating future options of [Build America Bonds](#) and Qualified Energy Conservation Bonds ([QECBs](#)). "The goal is to make money available and keep rates as low as possible," said Stultz.

On top of all this, DGS is pioneering a parallel program to establish Power Purchase Agreements ([PPAs](#)) to install and lease renewable energy systems. The GESA model will be customized for this use and companies will be pre-qualified to provide this service.



A delegation from Turkey met with DGS staff to learn more about the program, posing here in the Capitol's Rotunda.

Providing Technical Assistance - Fees Help Support the Program

DGS is the only agency to authorize performance contracting projects for state agencies. The eight-person staff provides intensive oversight to assess project viability, help select an ESCO, evaluate the audit, put together a sound performance contract agreement, participate in construction meetings,

other states.

ESCOs:

Work in partnership with public-sector representatives in states where you do business. And, work in partnership with your peers and others to break down local barriers to performance contracting and increase awareness through effective educational workshops.

Vendors, Engineers, Contractors & Performance Contracting Specialists:

Grow your business by accelerating the use of energy performance contracting.

Building Owners & Facility Managers:

Get unbiased information and how-to steps to get started and follow-through with a successful energy performance contracting project.

ESC Activities

WEBINARS

ESC presents webinars quarterly on timely topics. All will be available for viewing at any time in ESC's growing online webinar library.

NEWSLETTERS

Newsletters are distributed every several months. [Sign-up](#) for the newsletter and contact us to [contribute ideas](#).

CHAPTER ACTIVITIES

Chapters have a variety of activities. Check the chapter websites or contact chapter leaders to get involved.

Get Involved

[Join the ESC](#)

[Contact ESC](#)

Join Our Mailing List!

Recognition of Support

Market Transformation tools to accelerate energy performance contracting are made available through

and ensure monitoring and verification processes are followed to validate savings. A nominal sliding-scale fee in each state agency performance contract is paid to DGS and enables DGS to bring in expert advisors to provide direct technical assistance to DGS and participating state agencies.

Because of DGS' work within the state energy office, it breaks away from its state agency focus to work with school districts and local governments. DGS provides free facilitation services to them, now in high demand because local governments were hard-hit by the recent utility rate hike.

Serving Small Projects

With so much performance contracting activity in large state agencies, DGS wanted a way to meet the increasing demand of small state agencies, local governments and small school districts. DGS is pioneering a Small ESCO program ([SESCO](#)) as a streamlined version of GESA. Seven small businesses were just pre-qualified to fill this niche. Projects will involve simpler measures of lighting, controls, water and HVAC, with a combined total of up to about \$700,000 limited to a 10-year lease term. A pilot project is in the works for a county, borough and township, bundling these projects to a scale for financing. SESCO may also be a good fit for single-building or single-measure applications in larger facilities.

Leveraging Partnerships through an ESC Chapter

What's next for Pennsylvania? "An ESC Chapter", says Stultz. "I think a chapter will create a rich opportunity and achieve two goals - continuing education for potential users and a forum for constructive dialogue among parties familiar with the processes to help move the program forward."

ESC's Best Practices in Action

Pennsylvania's market transformation in performance contracting demonstrates the [Best Practices](#) that ESC recommends for all states: state energy office leadership, streamlined processes with pre-qualified providers and model contract documents, technical assistance to end-users, a self-funding strategy to support the program to name a few. With the state chapter, Pennsylvania will check off the last Best Practice recommended for state performance contracting programs. Pennsylvania is quickly climbing up in ESC's [Race to the Top](#) - a state to state comparison of performance contracting activity per capita.

What's New in Performance Contracting? ENERGY STAR Benchmarking



The [Arizona Energy Office](#) (AEO) now mandates that all performance contracting projects use [ENERGY STAR® Portfolio Manager](#). Offered jointly by the U.S. Environmental Protection Agency and the U.S. Department of Energy, ENERGY STAR Portfolio Manager is an online interactive energy management tool that enables users to track and assess energy and water use of a single building, or across an entire portfolio of buildings, while rating building performance compared to similar buildings nationwide. "Our goal is to standardize the data and get

all state buildings ENERGY STAR benchmarked," said Jim Westberg, AEO Energy Program Administrator who manages the [performance contracting program](#). "If a building is performing poorly, we can focus more resources on it and then track its improvement through annual ratings. If a building becomes a high performer it can be ENERGY STAR certified and recognized by EPA." AEO infused ARRA funds into this effort in support of its performance contracting program. Already, the Department of Administration is wrapping up benchmarking its 51 buildings, working with its selected ESCO to identify and prioritize projects for an anticipated \$12.5 million performance contracting project.

ESCOs are very familiar with Portfolio Manager which can typically interface easily with an ESCO's proprietary tools. ESCOs say it helps "shine a flashlight" on buildings during the audit process to identify buildings performing poorly that are good candidates for retrofits, while the rating helps identify how far to go. As one ESCO representative put it, "if you can't

support of the U.S. Department of Energy, Energy Efficiency and Renewable Energy (DOE/EERE).



ESC Newsletter

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ESC welcomes your comments and ideas. [Contact us.](#)

measure it, it's hard to understand how to improve." The rating is useful as a jumping off point to help the ESCO focus its engineering expertise to advance the ball and get the optimum level of performance. Portfolio Manager also tracks greenhouse gases related to consumption to estimate the carbon footprint of buildings, applies a weather correction to normalize the data from year to year, and has a built-in financial tool to track energy costs and help set investment priorities.



Get the Biggest Bang for the ARRA Buck

State and local governments have many options to spend American Recovery and Reinvestment Act ([ARRA](#)) funds. Charged with spending the money wisely to create jobs and save energy, the choice seems clear when energy savings performance contracting is an option.



Compare what \$250,000 in ARRA funds can do in this "back of the envelope" example:



One option is to fund energy studies - this could result in somewhere between 80 to 150 studies that could put about 15 people to work for 6 months and could inspire some energy-saving projects (7.5 job-years with an uncertain return in savings).

An alternative approach is to apply the funds directly to lighting retrofits, creating about 5 jobs lasting 3-4 weeks and achieving easy-to-measure savings (0.4 job-years and 2,100 MBtu savings). With the low payback term of lighting retrofits, this delivers the biggest return on energy savings but a low return on jobs.

Yet another option is to fund about 15 rooftop units, creating jobs lasting 2 weeks for about 4-6 people and capturing measurable savings (0.2 job-years and 250 MBtu savings).

Or, you could invest the funds in a single large-scale project such as a chiller replacement, to capture measurable energy savings and create a few 2-week construction jobs for 4-5 people (0.2 job-years and 400 MBtu savings).

In contrast, the \$250,000 in ARRA funds can be used as an incentive to implement a \$1.25 million energy savings performance contract. It could fund all of the things mentioned above and much more, achieve savings that are measured, monitored and verified over the long-term and create jobs for over 35 people rotated on and off the project over a 10-month cycle (14 job-years, or about 11 job-years per \$1 million investment, and 5500 MBtu savings). The guaranteed energy savings through a performance contract pay for the \$1 million balance of the investment, so the ARRA funds are leveraged 5-fold creating far more savings and putting far more people to work.



This is just a simple "back of the envelope" comparison of a few possible scenarios. "ARRA can have a huge impact in this way," explained Dale Hahs, President of the ESC's Board of Directors, as he presented these options in a webinar by the U.S. Department of Energy. "Imagine getting over 35 people in the community rotated in and out working on this project over 10 months, putting money in their pockets so that they can begin to buy goods and services and pay taxes on them. Let's get the policemen, fire fighters and road repair crews back to work. That's how we will start the economic ball moving again."

ESC Hot News

Mark Your Calendar: *National ESPC View - a webinar.*

ESC is delighted to host a webinar bringing together representatives from three key organizations who will provide national insight on Energy Savings Performance Contracting (ESPC). The panelists will share their perspectives on the next generation of ESPC, ARRA funding deployment to date, the difference between spending and leveraging funds and many other topics that will be discussed. Speakers include Dale Hahs, President of the Board of Directors, Energy Services Coalition (ESC); David Terry, Executive Director, National Association of State Energy Officials (NASEO); and Donald Gilligan, President, National Association of Energy Service Companies (NAESCO). [Join us](#) on Friday, June 4th, 1:00 EST.

Watch It! Watch this collection of [ESC videos](#) to hear performance contracting insights from industry professionals, government officials and end-users.

Featured Video of the Month

[ESPC Success Stories - Municipal](#)

Take just a few minutes to check out these featured video clips. Two municipal directors talk about their experiences with performance contracting:

- *Gregory Morgan, PE, Director-Utilities & Public Works, City of Tyler, Texas
- *Mark Tucker, Director - Facilities Maintenance of Pinal County, Arizona

North Carolina ESC Chapter: The [North Carolina ESC Chapter](#) just held a golf outing as a fund-raiser and had a good showing at the North Carolina Sustainable Energy Conference with a booth and a break-out session on performance contracting.

Colorado ESC Chapter: With plans to put on a workshop this fall, the [Colorado ESC Chapter](#) is hiring two student interns for the summer to help with workshop planning and to provide the student an inside public and private view of the performance contracting industry. The students also will work on a plan to introduce the industry to Colorado's universities, mainly engineering departments.



Colorado ESC Chapter Meeting March 2010

Retiring ESC Board

Member:

The [ESC Board of Directors](#) thanks Jim Arwood for his participation on the Board representing Arizona's energy office and for serving as Vice President - Public Sector. In his new role as Southwest Regional Coordinator for the National Association of State Energy Officials (NASEO), Jim plans to continue working on ESC's Market Transformation Committee. We'll continue to value his participation.

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