



SCEP

STATE & COMMUNITY ENERGY PROGRAMS

ESPC Campaign Webinar: Benefits of ESPC for Finance and Leadership in the MUSH Market

November 21, 2024

A copy of the slides from today's presentation will be provided to you for reference.



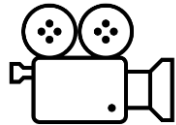
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Virtual Housekeeping



Please note that since this is a webinar, and not a meeting, the only way to ask questions is by typing your question into the Q&A tab.



This meeting is being recorded

Speakers



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Agenda

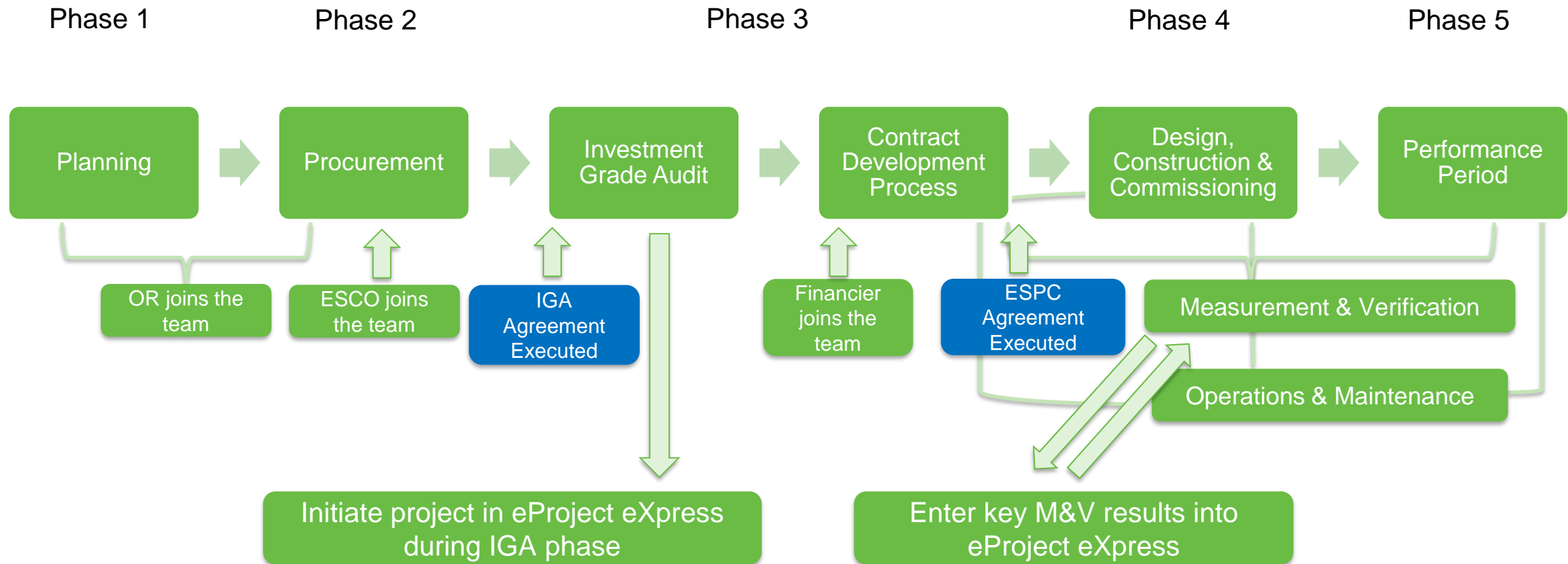
Learning Objective: This webinar will discuss the many benefits of ESPC to the MUSH market. Primarily addressing common concerns and questions often raised by institutions' leadership and finance teams, present key considerations and suggested messaging for engaging finance and leadership officials of these organizations.

- Introductions
- Where are we in the ESPC Process?
- Common issues encountered in ESPC by Finance and Leadership Teams
- Experiences from City of Santa Fe, NM
- Experiences from City of Key West, FL
- Experiences of a Finance Professional serving MUSH market clients
- Questions and Discussion
- DOE Resources and Upcoming Events
- Closing Thoughts and Next Steps

Participant Poll

Where are we in the ESPC Process?

Working with Finance and Leadership teams happens throughout the process, from inception through end of the contract term.



Common issues in ESPC for Finance and Leadership

- **Funding Constraints** - MUSH entities frequently operate under ***tight budgets***, making it difficult to allocate funds for projects. This can lead to:
 - **Limited upfront capital:** Many MUSH entities struggle to secure the ***initial investment*** required for ESPC projects.
 - **Competing priorities:** Energy efficiency initiatives may be deprioritized in favor of more ***immediate needs***, such as infrastructure repairs or educational resources.
- **Complex Decision-Making Processes** - The governance structure of MUSH organizations can complicate ESPC project approval and implementation
 - **Multiple stakeholders:** Decisions often require ***consensus*** from departments, boards, or committees, potentially slowing down the process.
 - **Political considerations:** For MUSH institutions, energy projects may be subject to ***political pressures and changing administrations***.
- **Technical Expertise Gap** - Many MUSH organizations ***lack in-house expertise*** in energy management and ESPC projects:
 - **Difficulty in project evaluation:** Finance teams may ***struggle to accurately assess*** the potential savings and risks associated with ESPC.
 - **ESPC Education:** Leadership teams may struggle with ***educating internal teams*** in ESPC processes and requirements.
- **Long-Term Commitment Concerns** - ESPC projects typically involve ***long-term contracts***, which can raise concerns among leadership:
 - **Budget inflexibility:** Long-term financial commitments may ***limit future budgetary flexibility***.
 - **Changing energy prices:** Fluctuations in energy costs can impact the projected savings, creating uncertainty for finance teams.
- **Measurement and Verification Challenges** - Accurately measuring and verifying energy savings is crucial for ESPC projects but can be challenging:
 - **Data collection and analysis:** Many MUSH organizations ***lack robust systems*** for tracking energy consumption and savings.
 - **Baseline establishment:** Determining an ***accurate baseline*** for energy use can be ***difficult***, especially in older or complex facilities.
- **Regulatory and Compliance Issues** - MUSH organizations often operate under ***strict regulatory*** frameworks:
 - **Procurement regulations:** Public sector procurement rules may ***limit flexibility*** in selecting ESPC providers or structuring contracts.
 - **Debt limitations:** Some public entities face legal restrictions on ***incurring debt***, which can complicate ESPC financing

Addressing these challenges requires a collaborative approach between finance, leadership, and energy management teams.

Key considerations and
messaging used to
engage Finance and Leadership
teams in developing an ESPC
project.

Experiences from City of Key West, FL Sheetal Almas

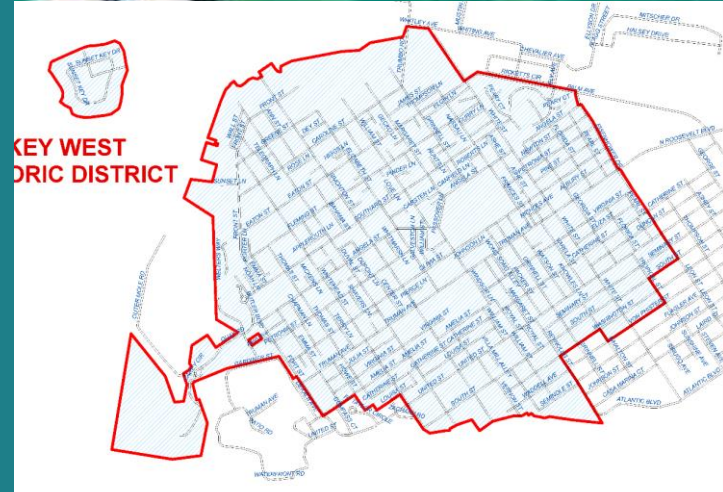
About us



We are a remote island city, a coastal community located 120 miles south of the mainland. Our Island is 4 miles long and 1 mile in width. We have a population of 27000 and get about 4-5 million visitors annually.

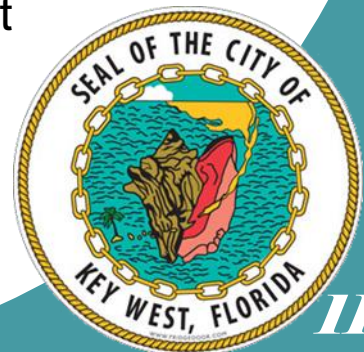
Our Issues:

- Shortage of staff and local contractors.
- Food, shelter and basically everything is expensive in Key West.
- We do not have enough housing available.
- Our electricity and water comes from the mainland (200 miles away).
- 100 City owned buildings, 47 of which are in the historic district.



Why did we choose ESPC route?

1. **Lack of local contractors** – main land contractors would cost us a lot to pay for their travel and stay and plus the project cost.
2. **We knew our in-house staff can not take on this task:** In 2020 – We used our community services in house staff to change our lights to LED lights at our 24000 square ft Police Station – took us 1 year to change 90% of lighting with a cost of \$15,800 - annual savings of \$18,000 and a Return on Investment (ROI) of 105% in 1 year.
3. **Lack of funding resources** – ESPC approach allows us to achieve our energy resiliency goals without having to wait around for grants and budget approvals.
4. **No upfront Cost** – you could go for 3rd party financing.
5. **Direct Pay and Tax credits** could help bring down project cost.
6. **Guaranteed Savings!** : We knew we could find a contractor to do the work, and could even find financing but guaranteed savings, that only comes with an ESPC option!
7. **Satisfaction:** That an ESCO's reputation means future business for them in the world of federal and MUSH market clients. They need a good reference, which means they are not going to just leave the contract mid way.



Challenges we faced...

1. **Being new to the ESPC and ESCO world** – I asked a lot of questions, every response I got raised 5 more questions!
2. **Finance Department:** Biggest question asked :- “ **How would we procure such a project?** “
3. **City Manager denied supporting the project:** Called it “ **a New thing**” as he had never heard of an ESPC before - at our first presentation to upper management we were told “ **I need to see more Cities do ESPC until then- it is a NO.**”
4. **Change of upper Management:** In our case, this was a great thing for us, but this is something to be mindful of while planning.
5. **Data not available :** (Data you will need: Building information for 100 buildings, utility cost for each building and meter numbers) collecting data and organizing data is time consuming as many local government **do not have this data in once place**– it’s a process of its own.



How did we manage to get finance department and management on board?

- **By using “Trusted Messengers” :**
 - I. We connected our Finance Director, with two different Finance Director/ staff of other Cities who had successfully completed an ESPC, one of them being Miami Dade.
 - II. We invited Timothy D. Unruh, the Executive Director of NAESCO – to present to our Finance department and upper management staff.
- **#1 selling dialogue:** **Guaranteed Savings!** – using this dialogue which is the foundation of an ESPC project created trust, helps you convey the message that there is little risk and higher change of project success because we are “ **guaranteed the savings**”.
- We made a list of Cities in Florida who have successfully completed an ESPC.
- We **communicated ESPC project benefits with a \$ value** rather saying how much energy in kWh we would save.



Where are we in the process?

Just ranked our RFP response yesterday from submittals we received from Owners Representative (OR) for our Energy Resiliency – ESPC project.

Why we choose an OR:

1. Facilitating smooth project completion.
2. Ensures project stays on budget.
3. Help review IGA reports and recommendations.
4. Help review and monitor all phases of project.
5. Can identify cost-saving opportunities and prevent unnecessary expenditures.
6. Peace of mind- Allows the owner to focus on their business while knowing their project is being managed effectively

Lessons Learned – Take aways from my journey

- **Build your interdepartmental Team early on**– it will save you time and make the process more efficient to collect the building and utility data – Organizing your building data may be time consuming but that is just how the process works!
- **Benchmarking** – Start tracking your energy and water consumption early.
- **Network with Peers:** This may be a new process for many of you, and we are all in this together evolving and growing, **talk to your city peers, communicate your struggles and ask what they did?**
- **You do not need to have engineering or architectural expertise to lead an ESPC project** - that is where the OR can help facilitate the project.
- **Use \$ dollar values to communicate co- benefits of ESPC to upper management.**
- **PCNRC Certificate Series:** 8 course certification series.

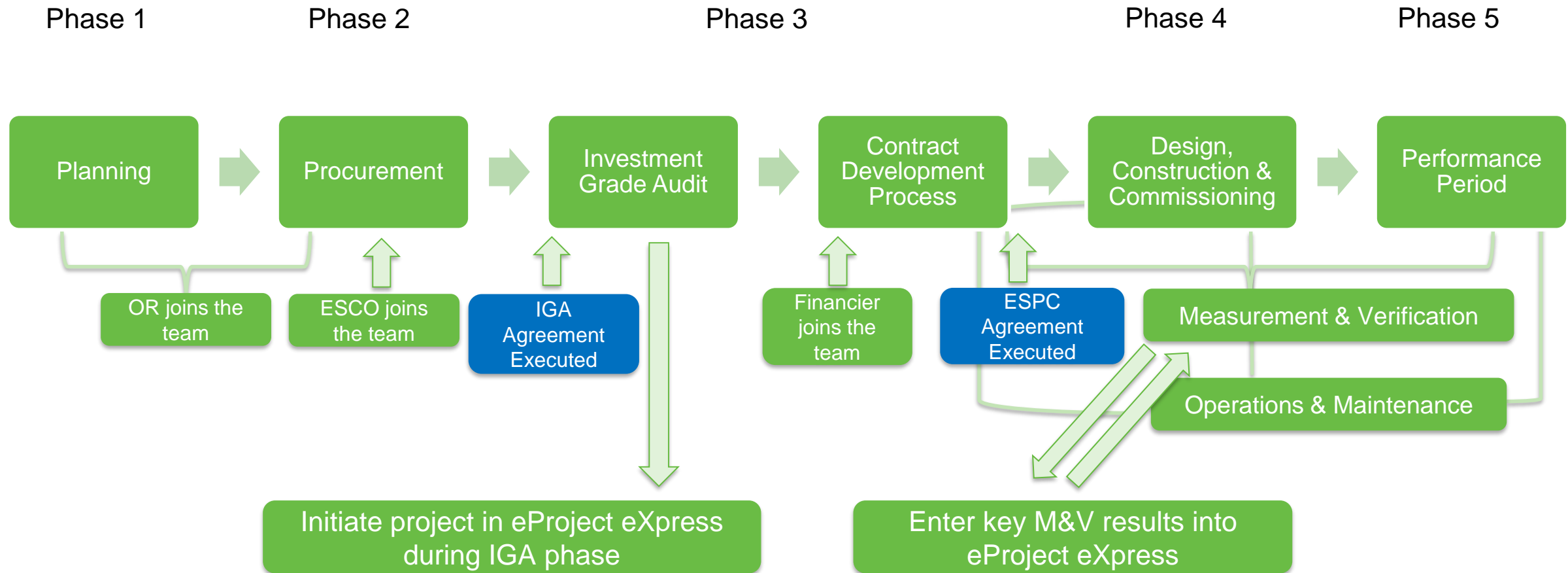
Performance Contracting National Resource Center Training Certificate Series



Experiences from City of Sante Fe, NM Regina Wheeler

Where are we in the ESPC Process?

Working with Finance and Leadership teams happens throughout the process, from inception through end of the contract term.



PROJECT DETAILS



- In 2019 session, the COSF was appropriated \$925,000 by the Legislature to solarize City facilities using private investment leverage to maximize impact
- In January 2021, COSF approved \$15M energy services contract funded by private financing
- Despite COVID, federal lease delays and supply chain interruptions, this project completed within budget.

	2019					2020					2021					2022					2023					2024																	
Milestone	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
IGA Contract Approved by COSF GB	█																																										
Investment Grade Audit		█	█	█	█	█	█	█	█	█	█																																
Solar Due Diligence							█	█	█	█	█	█	█	█	█	█	█	█																									
EPC Project Approved by COSF GB																			█																								
EPC Contract Executed																				█	█																						
Notice to Proceed Issued by COSF																																											
Project Implementation																																											
Inflation Reduction Act Passed Into Law																																											
WHO Declared COVID a PHEIC																																											

RESULTS OVERVIEW



22	SITES
17	PUMPING
23	SOLAR ARRAYS

7,300,000	Kilowatt Hours Saved per Year
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2,000,000	Gallons Water Saved Per Year
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Strategies for Success

1. Inspiring project goal aligned with City's adopted policies
 - ours was solarize all facilities where feasible financially and physically.
2. Speak simple terms- savings pay for infrastructure with energy savings in long run.
 - Very compelling to leaders.
3. Obtain grant seed money pitching the private investment multiplier.
 - City leveraging grant always appealing to leaders.
4. State of New Mexico procurement provides framework, selected vendors and certification
5. Include utility facilities where energy costs are high and long-term return on investment meaningful.
 - Brings City Utility leaders to support project
6. Strong financial and legal professional support
 - intense contract requirements, bond work- engaging professionals ensures compliance and instills confidence.

THANK YOU



Experiences from Finance Provider D. A. Davidson Co. Steve Goehl

ESPC Finance Process Life Cycle

PROJECT CONSTRUCTION / PROOF LIFECYCLE

The **EPIC** finance team: Professionals providing financial solutions for energy efficiency, design build and essential purpose infrastructure projects throughout the United States.

BEGINNING STAGES

- Identify needs
- Due diligence
- Finance / credit assessment
- Selection

ENGAGEMENT

- Site inspection
- Stakeholder understanding
- Proof of concept
- Avoided costs
- Scoping
- Contracting

CLOSING

- Funding
- Construction
- Commissioning
- Optimization
- Measurement & Verification

Q&A and Discussion

Common Finance and Leadership Questions

1. My Facilities staff keeps telling me we need to address our deferred maintenance backlog. Can ESPC help me fund this challenge?
2. How do I get my superiors to consider using ESPC?
3. How much research should I do regarding funding for the project before starting the ESCO RFP process?
4. How can I find out what a "ballpark" project costs and savings might be before going through the while ESCO procurement process?
5. How do I compare the financial providers and the ESCOs' proposals?
6. Where can I find good resources for financial incentives and rebates?

DOE Resources And Upcoming Events

Resources

- [ESPC Podcasts | Energy Services Coalition](#)
 - Podcasts 101-103 introduce ESPC and key considerations for leadership
- [ESPC Toolkit](#)
 - [ESPC Champions Toolkit](#)
- [Performance Contracting National Resource Center](#)
 - Hub for ESPC resources: legislation by state, SEO contacts, trainings
- **Written Guides & Reports**
 - [ESPC: Improve Infrastructure & Turning Waste Into Wins](#)
 - [Business Case for Conducting M&V in State and Local ESPC Projects](#)
 - [Expanding ESPC to New Markets](#): Hospitals, Small Projects, K-12, Water Facilities

Resources: ESPC Campaign



The **Energy Savings Performance Contracting (ESPC) Campaign** engages states, local governments, school districts, universities and colleges, hospitals, and other market stakeholders to:

- **Support** the use of performance contracting to increase efficiency, modernize public buildings, reduce utility expenses, increase resilience, and meet lead-by-example goals
 - ✓ *Expert-led Trainings*
 - ✓ *Webinars*
 - ▢ *Peer Exchanges*
 - ▢ *‘Ask-an-Expert’ Office Hours*
 - ▢ *Resource Library*
- **Share and Leverage Practical Resources** to strengthen ESPC and measurement & verification (M&V)
- **Amplify and Implement Best Practice Approaches** for ESPC projects and programs
- **Demonstrate Impact** with measured and verified energy and cost savings
- **Showcase Achievements** and share examples of successful ESPC implementation

Complete the
[Expression of Interest](#)
form to obtain a
Partner Agreement

Upcoming Events

Trainings

- **Wednesday, December 5th 1-2:30PM ET** - [Paying for Your Project](#): Understanding ESPC Project Financials, Financing Options, and the Leveraging Effect of ESPC on Contributed Funds
- **Monday, December 9th 2-3:30PM ET** – EECBG Blueprint Cohort training on “Financing - understand project cash flow proforma, learn how to secure financing.” Complete [this form](#) and express interest in Cohort 2B to receive training invites and registration links from the Energy Efficiency and Conservation Block Grant (EECBG) Blueprint Cohort on ESPC topics.
- **Thursday, January 9th 2-3:30PM ET** - The Performance Period: Best Practices for Measuring ESPC Impact and Ensuring Success.
- **Monday, January 13th 2-3:30PM ET** - EECBG Blueprint Cohort training on “Contracting - learn about standard contract forms and forming the contract”. Complete [this form](#) and express interest in Cohort 2B to receive training invites and registration links from the EECBG Blueprint Cohort on ESPC topics.

Office Hours

- State and local ESPC Campaign partners are invited to set up a time to speak with a U.S. DOE PF (Owner’s Representative for virtual office hours. Discussion topics can be anything regarding an ESPC project, including specific questions on your project. **To request a meeting time**, please complete this [Office Hours Sign-Up Form](#).



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Thank you!

ESPCcampaign@hq.doe.gov

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