

# *For Immediate Release*

## *Guest Editorial*



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## Energy Efficiency: The smart investment

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Public officials in Michigan have a little-known tool at their disposal to help reduce their facilities energy bills: Guaranteed Energy Savings Performance Contracts.

Guaranteed Energy Savings Performance Contracts, or GESPCs, have been around since the energy crisis in the late 1970s. Nationally, it is a \$5-6 billion dollar industry today, and is projected to double or triple in size by the year 2020.

The energy savings come from the adoption of new energy-efficient technologies in the place of old inefficient technologies still in use for lighting, controls, and heating and cooling equipment. The performance is that the new technologies will save more annually than they cost. And the guarantee is that if the promised savings do not materialize, the contractor is responsible for the shortfall.

To start, an energy service company, or ESCO, performs a building energy audit to determine the potential energy savings, and presents the facility owners with a list of recommendations and their projected paybacks. After negotiating a list of energy conservation measures to include in the final contract, the contractor will implement the list of measures agreed to at no upfront cost to the public agency, with repayment coming through the monthly savings those facilities realize on their energy bills. If the energy savings do not meet their guarantee, then the contractor pays the difference.

GESPC allow organizations that do not have the necessary upfront capital to make energy improvements and start saving on their electricity, gas and water bills. It is a smart solution for public organizations that don't have the necessary financial resources, allowing them to pay for these upgrades using avoided future energy costs.

Michigan boasts dozens of examples of energy contracts paying off. From schools to municipalities, universities and even prisons. Some recent examples include:

- City of Roseville: \$3,357,796 and \$98,000 in annual savings;
- State of Michigan Agency for Energy and Michigan Public Service Commission: \$437,729 and \$25,000 in annual savings;
- Monroe Wastewater Authority: \$10,398,214 and \$355,060 in annual savings;
- Village of Grosse Point Shores: \$3,158,740 and \$200,810 in annual savings;
- Wayne State University: \$1,395,250 and \$368,581 in annual savings.

In addition to these examples, over the past few years more than 30 GESPC projects have been completed in the state's K-12 schools. These projects have leveraged nearly \$100 million in private sector investments and are saving taxpayers more than \$6 million annually in energy costs.

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Energy Services Coalition

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**About Energy Services Coalition**

The mission of the ESC is to increase the use of performance contracting to support infrastructure modernization, sustainability, economic development and national security. Benefits of Energy Savings Performance Contracts include: self-funds building improvements and deferred maintenance through cash-neutral projects, creates local jobs and stimulates local economies and the savings are guaranteed. For more information visit [www.energyservicescoalition.org](http://www.energyservicescoalition.org).