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## Energy Efficiency: The smart investment

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Public officials in North Carolina 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.

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

- North Carolina State University: \$60 million 17-year GESPC that produced over \$10 million in guaranteed energy savings the first two years of the performance period:
- Appalachian State University: \$16.3 million GESPC in 1.6 million square feet of space spread over 28 campus buildings. All of the energy efficient equipment

and system improvements will be paid from energy savings over the 13-year contract term.

To date, more than 74 public jurisdictions throughout North Carolina have executed guaranteed energy savings performance contracts, leveraging nearly \$500 million in private sector investments into an estimated \$50 million in guaranteed annual energy cost savings.

Jim Arwood  
Executive Director  
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).