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Guest Editorial



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Energy Efficiency: The smart investment

Public officials in Kansas have a great 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.

GESPC has enjoyed strong bipartisan support in Kansas because nearly everyone wants to operate efficient government at all levels.

The state's enabling legislation (KSA 75-37.125), which conforms with the state's procurement rules, was adopted in 2000 by a vote of 118-0 in the Kansas House, and 40-0 in the Kansas Senate.

Every single one of the state's elected officials understood that the benefits of this procurement method meant more than being just good stewards of the public trust by eliminating waste and saving taxpayer funds. They recognized that this legislation would stimulate economic activity in both urban and rural areas because the need for facility modernization in state and local government facilities is great. To their credit, they realized that in the absence of capital appropriations, a GESPC can provide the low-cost capital required to replace failing and inefficient equipment and make structural improvements to aging buildings.

The way it works is simple. A list of energy conservation measures is negotiated in the form of a contract between a public agency and an energy services company (ESCO). The ESCO will implement the contracted measures 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 ESCO 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 to a problem that most public organizations are challenged with: limited financial resources. GESPC uses the future avoided energy costs to pay for these upgrades.

Kansas led the nation in the effective implementation of GESPC for years and boasts dozens of examples of energy contracts paying off. From schools to municipalities, universities and even prisons. These projects were completed

under the Kansas Corporation Commission's Facility Conservation Improvement Program (FCIP) from 2000 to 2015 with oversight by the Kansas Energy Office. Some examples include:

- Buhler School District - was able to replace the failing boiler and chiller systems in the middle school, as well as help the district make other needed energy improvements.
- Wichita State University - 49 buildings measuring 1,976,646 square feet underwent major upgrades that included a new efficient boiler and chiller plant, lighting, expansion and enhancement of the energy management system, and a multitude of other improvements. The GESPC resulted in over a million dollars in annual savings.
- City of Wichita - retrofitted more than 10,000 lighting fixtures in 42 buildings and added building controls at 36 of those sites.
- Hutchinson Correctional Facility - implemented significant infrastructure improvements such as installing new boilers, and improving cellblock ventilation and heating. Even though Hutchinson Correctional Facility is a maximum-security prison, this project was completed in less than six months and under budget.

To date, more than \$300 million in projects have been completed throughout Kansas resulting in an estimated \$20 million in annual energy costs savings, and the creation of 3,032 job years. Still, there is a lot of work that remains to be done in all areas of the state.

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(About the Author: Jim Arwood, a native of Lyons, has been working in the energy field for five decades, starting right out of high school as a roughneck in the Kansas oil fields. He currently serves as the Executive Director of the Energy Services Coalition – a public private partnership promoting the benefits of, providing education on, and serving as an advocate for the widespread use of energy performance contracting in public and private facilities.)

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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.