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Guest Editorial



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Energy Efficiency: The smart investment

Public officials across the country have embraced Guaranteed Energy Savings Performance Contracts (GESPC) as the most effective way to not only reduce their energy bills – but also address modernization issues in public facilities.

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 across the country because all political persuasions want to operate efficient government at all levels.

Delaware's Energy Performance Contracting Act (Title 29, Chapter 69, Sub-Chapter V), which conforms with the state's procurement rules, was last amended in 2005 by a vote of 39-0 in the Delaware House, and 20-0 in the Delaware Senate.

Every single member of the Delaware General Assembly understood that the benefits of this procurement method can produce immediate and long-term savings. They recognized that this Act would stimulate economic activity in cities big and small because the need for facility modernization in state and local government facilities is great. To their credit, two years later, in 2007, they created the Delaware Sustainable Energy Utility (SEU) whose single purpose is to deliver clean energy efficiency and renewable energy services that can provide tax-exempt capital for public agencies to replace failing and inefficient equipment in 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 to the SEU 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 portfolios are growing with examples ranging from schools to municipalities, universities, state and federal buildings. Across the country there are thousands of examples where this procurement tool is paying dividends – including:

- New Jersey: A federal performance contract at the Joint Base McGuire-Dix-Lakehurst Air Force Base provided energy upgrades for 123 buildings. An investment of \$43 million has produced verified actual savings for the first two years of the performance period of \$17.6 million, well in excess of the

guarantee of \$13.1 million.

- Virginia: Orange County schools began a Phase II GESPC in 2015. The energy upgrades, at a cost of \$1.25 million, will produce utility savings of 39 percent. The Phase I project, already completed, has produced verified utility savings of 32 percent annually. To date, 70 Virginia public bodies, including jails and water authorities, have been through the performance contracting process.
- Minnesota: In the past two years, the state's Guaranteed Energy Savings Program has built a pipeline of 26 energy efficiency projects impacting more than 550 buildings and 26 million square feet of building space, with projected annual savings of \$10.8 million. As the 26 projects get underway and future projects succeed, performance contracting will help Minnesota achieve its savings goal of 20 percent by the year 2020.
- Georgia: A constitutional amendment (Energy Project Contracts Amendment) was passed in 2010 by a vote of 61% to 39% to support GESPC. Since passage, the first state building, Phillips State Prison, completed implementation of a GESPC and the state has another \$80 million of projects in the pipeline.
- Colorado: Statewide, 140 public jurisdictions have executed 188 energy performance contracts, leveraging almost \$32 million in guaranteed utility savings to invest \$487 million into state buildings, schools, courthouses, jails and correctional facilities, libraries, health clinics, veterans housing, ballparks and other community facilities.

For more than 40 years now performance contracting has proven over and over again to be a smart solution for public organizations – allowing them to pay for much needed energy upgrades using avoided future energy costs.

(Jim Arwood is the Executive Director of the Energy Services Coalition a public private partnership promoting the benefits of, and providing education on the use of guaranteed 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.