FEDERAL UTILITY PARTNERSHIP WORKING GROUP SEMINAR
November 5-6, 2014
Cape Canaveral, Florida

O&M in UESC

Hosted by:

FEMP
Federal Energy Management Program

FPL
O&M Cost Savings

Definition of O&M Savings = one-time or annual non-labor decrease in O&M expenditures that are verifiable and supported by actual purchase records.

\{Adjusted Baseline O&M Costs\} \textit{minus} \{Actual O&M Costs\}

- Appropriate for elimination of a maintenance contract or reduction in government staff
- Baseline O&M and R&R should be based on actual budgets and expenditures

O&M Cost Savings

\[ \Delta(\text{O&M Costs}) = (\text{Baseline O&M Costs})_t - (\text{Actual O&M Costs})_{t+n} \]

- Where,
  - \( t \) = baseline year
  - \( t+n \) = year when actual savings occurs

- Examples:
  - avoided use of current or planned capital funds for equipment repair or replacement;
  - transfer of O&M and R&R responsibility;
  - and avoided renovation, repair, or renewal costs resulting from the project.

- O&M savings may vary year to year which must be addressed in the annual savings and cost streams and in the financing arrangement and Task Order (TO) payment schedule.

- Escrow accounts have been used to reduce repair and replacement risk to agency and utility.

• **10 CFR § 436.31** - Energy cost savings means a reduction in the cost of energy and *related operation and maintenance expenses*

• Energy-related cost savings can result from *avoided expenditures for operations and maintenance*. Sources of energy-related savings include:
  – avoided current or planned capital expense
  – transfer of responsibility due to the UESC for O&M and R&R to the Utility
  – avoided renovation, renewal, or repair costs as a result of replacing old and unreliable equipment

• Documenting and verifying O&M or other energy-related savings will help ensure persistence of the savings for the contract term, avoid conflicts, and address oversight agency concerns.
O&M Savings in UESC

Conclusion: O&M and other energy-related cost savings are allowable in UESCs

BOTTOM LINE: O&M Savings are Allowed and Must Be “Real & Verifiable”
O&M Savings in UESC

• Savings due to redirected labor or O&M efforts that do not reduce real expenses cannot be claimed as savings.

• Agencies must maintain O&M records that will be needed to document baseline O&M costs.

• Utilities must include detailed information in M&V reports to clearly convey the source of O&M savings as well as sufficient data to verify any savings calculations performed.
Top 5 Reasons for Including O&M in Your UESC

1. It is allowable
2. Low cost energy management
3. Assures equipment is working properly
4. Avoid potential problems
5. Ensures “Persistence (and maximization) of Savings” - *Energy and Dollars*

Again, the Bottom Line: **O&M Savings Must Be Real and Verifiable**
<table>
<thead>
<tr>
<th>ECM Description</th>
<th>Main Campus Electric Savings (MWh/Yr)</th>
<th>Building 1 Electric Savings (MWh/Yr)</th>
<th>Building 2 Area Electric Savings (MWh/Yr)</th>
<th>Electric Energy Savings (MMBtu/Yr)</th>
<th>Natural Gas Savings (MMBtu/Yr)</th>
<th>Water Savings (kGal/Yr)</th>
<th>Sewage Savings (kGal/Yr)</th>
<th>O&amp;M Cost Savings ($/Year)</th>
<th>Purchased Utility Cost Savings ($/Year)</th>
<th>Total Cost Savings ($/Year)</th>
<th>Total Cost Savings ($/Year)</th>
<th>Construct. Cost (1) ($)</th>
<th>Super Simple Payback (Years)</th>
<th>IV + (I+II)</th>
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</thead>
<tbody>
<tr>
<td>ECM - 1 High Efficiency Lighting Retrofits</td>
<td>139.215</td>
<td>187.855</td>
<td>112.069</td>
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<td>0</td>
<td>1,498.8</td>
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<td>2.638</td>
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<td>0</td>
<td>218.1</td>
<td>415.0</td>
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<td>$0</td>
<td>$4,603</td>
<td>$4,603</td>
<td>$58,638</td>
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<td>304.1</td>
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<td>$0</td>
<td>$7,175</td>
<td>$7,175</td>
<td>$45,812</td>
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<td>ECM - 4 Controls Upgrades / VFD’s / Retrocommissioning</td>
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<td>ECM - 7 Transformer Replacements</td>
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<td>ECM - 12 Building 2 Water Conservation</td>
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<td>Totals</td>
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</table>
Thank you!

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and

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