

APPENDIX C-11: Handout – What Is ESPC?

Better Buildings through Energy Savings Performance Contracting (ESPC)

If you own or manage a building, we have good news that can save you money . . .



Energy savings performance contracting (ESPC) is a smart, budget-neutral approach to make building improvements and reduce energy, water and operating costs. Any large building or group of buildings is an ideal candidate for performance contracting, including city, county and state buildings; schools; hospitals; commercial office buildings; and multifamily facilities.

Do you face these problems at your facility?

- ✓ Old or inefficient equipment.
- ✓ Too many demands on your time and budget.
- ✓ Recurring maintenance problems that consume valuable staff time.

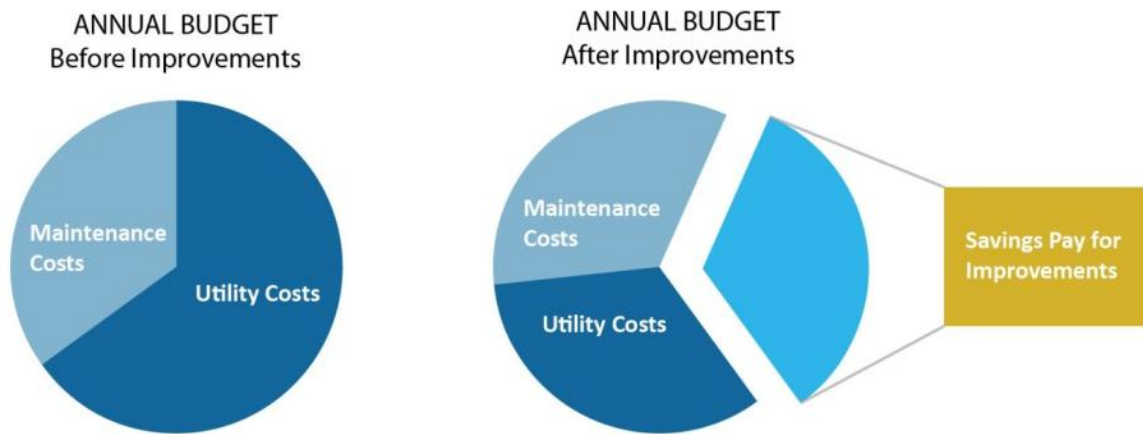


If so, here's the good news...

You can make the energy- and water-saving upgrades you need now – with no up-front capital – and pay for the improvements over time through the resulting efficiency savings, which can be guaranteed.

Here's how it works...

Install the improvements *now* and pay for them through *future* efficiency savings. Financed over approximately 12–20 years, the projected guaranteed savings pay for improvements.



A qualified energy service company (ESCO) puts the pieces together.



Identify and evaluate energy-saving opportunities



Develop engineering designs and specifications



Manage the project from design to installation to monitoring; monitoring



Educate on financing



Train your staff and provide ongoing maintenance services

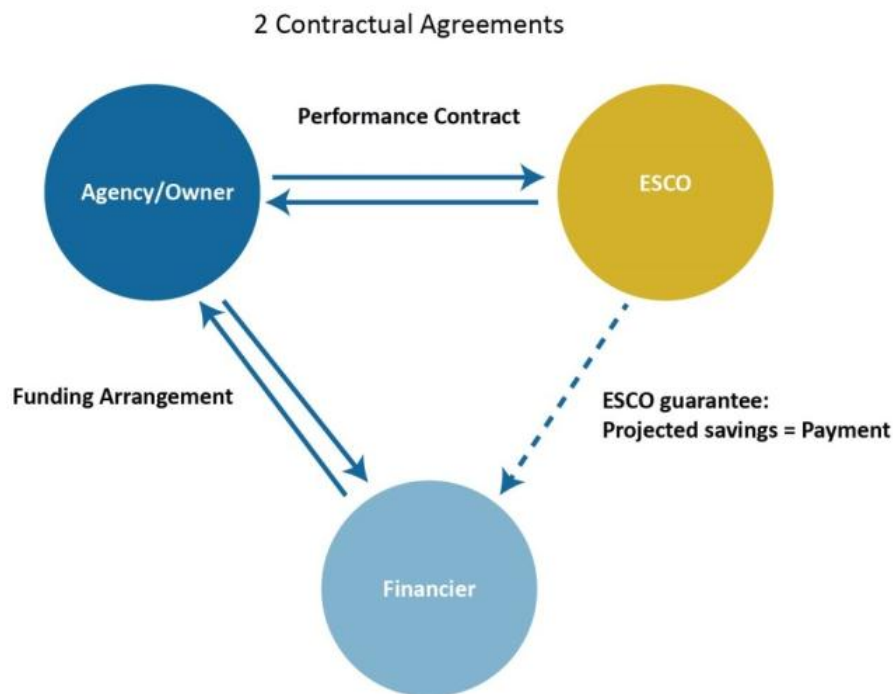


Guarantee performance! Projected efficiency savings will cover project costs

A financing partner completes the picture.

Your ESCO can provide information on financing. (ESCOs do not directly provide financing.)

Two contract agreements are related to the ESCO's guarantee. You will sign an ESPC agreement with the ESCO and a funding or financing agreement with the financial institution. The guarantee of efficiency savings, as projected, delivers savings to meet the payments.



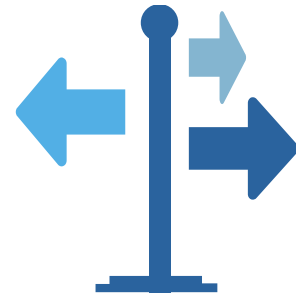
ESCOs can implement many improvements in your facilities.

Any measures that could cut costs in your utility or operational budgets can potentially be part of an ESPC:

- Lighting equipment replacements to cut energy costs and improve lighting quality
- Building automation system upgrades to optimize system performance and occupant comfort
- HVAC system improvements – boilers, chillers, fans, pumps and plant improvements
- Renewable energy systems
- Landscape irrigation and plumbing fixture replacements to reduce water use
- New equipment to reduce maintenance requirements
- Commissioning to trouble-shoot systems
- Utility rate adjustments to reduce the bottom line
- LED traffic and street lighting systems to cut both energy and maintenance costs
- And an endless list of other facility improvements

We're here to get you started...and see you through

Energy savings performance contracting is a partnership between you and the ESCO you select. The state energy office is here to help you get started on a path to success.



Start making tomorrow's improvements today

Have you considered how much it's costing you not to reduce energy consumption at your facility? Performance contracting may be the answer...and it won't cost you a cent to find out.

The state energy office provides tools and resources plus one-on-one support to help you decide if performance contracting is right for you.

Contact us:

Program Name
Contact Name
Website
Phone & Email Address

The many benefits of performance contracting

Better buildings

By updating or replacing equipment that is old and obsolete with newer, more efficient technology, you will have higher-quality systems, fewer breakdowns and reduced maintenance. When building occupants experience improved lighting, better air quality and more comfortable room temperatures, they are likely to be happier and more productive.

A wise investment

ESPC allows you to divert funds that would be spent on energy bills into investments in your buildings. For governments, this means limited budgets can stretch further, putting taxpayers' money where it really counts. For all building owners, more modern, efficient energy systems can increase your property value and improve your building's marketability.



Improvements without sacrifice

ESPC allows you to tackle efficiency projects now even if no funds are available, as dollars that are otherwise wasted are redirected. This means you can upgrade facilities even when faced with budget cuts or competing priorities. In addition, with energy performance contracting, you can tackle multiple energy-efficient projects throughout your facility, rather than doing one project at a time.



Cost savings

Modernized systems and equipment can lower your energy use and associated costs. Many building owners see energy savings of 15 to 35% each year and also reduce their long-term maintenance costs. You keep all the savings once the equipment is paid off, plus any excess savings during the contract term.

Proven technology and expertise

Since its inception in the late 1970s, performance contracting has become a widely accepted and reliable method of financing and implementing energy improvements. Today's ESCOs use industry-standard practices and proven energy-saving technologies. ESCOs have established excellent track records for satisfying their customers. They have a financial incentive to make sure savings are achieved throughout the contract term.

One-stop shopping

Performance contracting offers a streamlined approach to making facility improvements because, with a single contract, you can complete numerous projects. Your ESCO can provide a full range of services from design to construction and ongoing monitoring to ensure that your equipment performs for optimal long-term energy performance.



Frequently Asked Questions

How do I find those energy savings?

By working in partnership with a professional ESCO, you can tap into its expertise to determine which building improvements make the most sense from a comfort, productivity, energy savings and dollar savings perspective.



Can't I do this myself?

Sure, if you have the time, money, and expertise. However, many managers find that an ESCO can put together a complete package of services, saving both time and money. An ESCO can work with you to develop a performance contract that meets your specific needs, such as identifying and evaluating cost-saving opportunities, providing engineering services from design to equipment specifications, ordering and installing equipment, and managing construction of a wide variety of projects. To complete the package, the ESCO can guarantee the projected efficiency savings and help identify funding and financing approaches.



How risky is this for me?

ESCOs provide a performance guarantee. This means that units of energy, water and other commodities are guaranteed. Your due diligence is important so that you recognize how the savings are measured, verified, and applied to your payment over the long financing term. If projected savings don't all materialize, the ESCO is obligated to pay the difference of the projected guaranteed cost savings. In this way, the risk of performance is shifted to the ESCO.

How do I know if energy performance contracting is right for me?

We can help you get started. We have experienced engineers that can assist you in assessing whether energy performance contracting will work for you. We can help you find and contract with an ESCO as well.