

## 2008 NAESCO Management Report

In 2008, NAESCO celebrated its silver year anniversary with great pride in our many accomplishments and in our membership who have transformed the landscape for energy efficiency over the last quarter century. The ESCO-model for delivery of energy efficiency resources and comprehensive demand reduction strategies has dramatically changed the way customers, utilities, regulators, and other policy makers think about how to construct an energy portfolio for the 21<sup>st</sup> Century. Our industry has changed the conversation about how America, and increasingly the world, looks at meeting its future energy needs. We believe that our industry will continue to be in the vanguard of leading the economy back to life by providing the investment, the jobs, and the infrastructure improvements needed to rebuild America.

### National Voice of the ESCO Industry

NAESCO has firmly established itself as the national voice of the ESCO industry through its national and regional advocacy efforts. NAESCO has taken a leadership role in working with the US Department of Energy to accelerate the ESPC project award pipeline, encouraging federal streamlining efforts, and expanding federal organizational capabilities to support the expected expansion of ESPC investment at federal facilities. In 2008, NAESCO initiated a new working group comprised of itself, the Federal Performance Contracting Coalition, and GELAT to coordinate the lobbying message to accelerate ESPC investment across the government and maximize the effectiveness of lobbying efforts.

NAESCO is participating in national coalitions that are seeking to use pending federal RPS/EPSC and Greenhouse Gas legislation to promote large-scale national energy efficiency programs. With the change in Administration in early 2009 and the expected strong emphasis on energy efficiency, the creation of green jobs, and sustainable building practices, NAESCO is working to include programs that boost federal investments in federal and state performance contracting programs in the pending economic stimulus bills.

At its core, NAESCO continues to be a strong active proponent of Energy Performance Contracting (EPC) programs at all levels of government. In support of its efforts, NAESCO representatives have worked to ensure that state energy efficiency initiatives focus on creating verifiable energy savings and stimulate industry market opportunities. Following are some highlights of our 2008 state and local efforts (for a more comprehensive description of these and other NAESCO activities, please visit our website, <http://www.NAESCO.org>).

In the **Northeast**, NAESCO is participating in legislative and regulatory initiatives in MA, NY and NJ that will increase energy efficiency programs by 3-6 times. NAESCO is also participating in the development of Future Capacity Markets in New England and PJM that will open new funding sources for large amounts of energy efficiency and demand response. In addition, NAESCO is monitoring the initiation of the Regional Greenhouse Gas Initiative (RGGI) carbon trading system in nine Northeast states. NAESCO was named to the NY Evaluation, Monitoring and Verification (M&V) Working Group which is setting the standards for the utility M&V protocols and the Advisory Committee for the New York City Energy Planning Board which is the group that will help NYSERDA decide the use of RGGI proceeds. In addition, NAESCO has been asked by Con Edison to help design new programs that would more effectively integrate ESCOs into energy efficiency programs in New York City. NAESCO is also participating in the development of the new utility DSM programs in Pennsylvania and provided EPC training to over 200 participants in two locations in Pennsylvania in mid-November.

In the **Midwest**, NAESCO has participated in regulatory and legislative efforts to initiate and implement large new energy efficiency programs in IL, IN, OH, MI and OK. It has also worked to assist in the implementation of EPC programs in KS and conducted EPC training programs in IL and MI in early summer 2008.

In the **Southeast**, NAESCO is working with various national and regional organizations to modify Duke Energy's proposed Save-a-Watt program. In this effort, NAESCO has testified in Public Service Commission proceedings in South Carolina and North Carolina and Indiana, held numerous meetings with Duke Energy management, and met directly with North Carolina public officials to educate them about our organization's position regarding the Save-a-Watt proposal. NAESCO has been contacted by Progress Energy Carolinas to assist that utility in designing programs in its North and South Carolina service territories that will integrate utility incentives into performance contracts. NAESCO is also monitoring and participating in proceedings to develop large-scale energy efficiency programs in MD, TN, and FL.

In the **West**, NAESCO has worked with the Energy Services Coalition and the Southwest Energy Efficiency Partnership to reform performance contracting legislation in Arizona. Legislation passed the Arizona House and nearly passed its Senate. The Governor's office is apparently readying new legislation for submittal in early 2009. In California, NAESCO continues to participate in multiple California Public Utility Commission proceedings that will determine the scope of the 2009-2011 utility energy efficiency programs. NAESCO filed several rounds of comments expressing its concern about the impact of a gap in funding for the proposed programs and, working with the local utilities, succeeded in obtaining the California Public Utilities Commission's approval of bridge funding thus avoiding any interruption in the key programs delivered by ESCOs. In addition, NAESCO is monitoring the initial project implementation of the California Department of General Services' (DGS) building performance contracting program and assisting ESCOs to provide feedback to DGS.

During 2009, NAESCO will continue to promote energy efficiency as the first consideration in the panoply of solutions to be considered by state and localities to their energy supply needs and as cost effective alternative to expensive power plant construction in state regulatory proceedings across the country. The organization will also continue to strive to make ESCO services part of state and utility demand response programs and work to ensure that the new demand-side "bidding" programs are as ESCO-friendly and inclusive as possible.

### **Research and Development, Supported by US DOE and US EPA funding**

NAESCO continues its research activities documenting the United States ESCO market in conjunction with Lawrence Berkeley National Laboratory (LBNL). In 2008, the LBNL-NAESCO team documented the current size and potential of the state buildings performance contract marketplace. NAESCO also led a research team to identify which non-energy benefits act as key market drivers, and to determine appropriate monetary values. Both reports will be issued before year-end.

NAESCO is monitoring the development of new M&V protocols for electric system capacity credits, carbon emissions reduction credits and new utility programs. At the same time, NAESCO is in the process of developing a standardized new M&V protocol for operations and maintenance and Capital Cost Avoidance savings. In addition, NAESCO continues to work to help the Environmental Protection Agency (EPA) develop ENERGY STAR as a vehicle for promoting comprehensive ESCO projects. Current activities include drafting a manual for ESCOs on useful ENERGY STAR tools available to be integrated into retrofit projects, reviewing new versions of these EPA tools, and promoting the use of relevant EPA tools in various state proceedings.

### **Information Dissemination about Core Industry Products and Services**

In 2008, NAESCO hosted regional meetings in Washington, DC and Chicago and a national conference in Santa Monica, California. In addition, NAESCO hosted a successful green jobs fair in New York City. In 2009, NAESCO is planning to host its fourth annual federal market workshop in Washington DC, a second green jobs fair, workshops in the Mid-Atlantic and Midwest, its national conference in California, and a series of webinars highlighting various market opportunities and providing technical training.

## **Promotion of NAESCO Accreditation as a Market Differentiator**

NAESCO continues to work in the ESCO services market place to communicate the value of the of its rigorous accreditation program. NAESCO is also exploring how to translate project metrics provided by applicants during the Accreditation process into credible measures of equivalent carbon emission reductions.

## **NAESCO Website**

NAESCO continues to expand the scope of its website and to provide additional value for member companies to showcase themselves and the technologies they offer. In 2008, NAESCO introduced a jobs page for organizations to list job openings at no cost to members as well as a place for members to post press releases. Also this past year the NAESCO Newsletter was reinstated. The quarterly publication is web-based and includes sections highlighting our member's projects, product introductions, advocacy updates, and industry reports. The newsletter is sent to members, policy makers and representatives of other trade associations and customer groups

## **Membership Benefits Continue to Build Momentum**

NAESCO Board meetings were opened in 2007 to all dues paying members except for limited portions of the business meeting necessitating a closed session. In 2008, the full NAESCO membership began taking advantage of this opportunity in increasingly greater numbers.

## **New NAESCO Officers Elected**

NAESCO welcomes its new slate of officers. Elected at the October Board of Directors meeting were Chairman Adam Procell (AECOM Energy), Vice-Chairman Jim Dixon (ConEdison *Solutions*), Secretary Gerrit Reinders (Johnson Controls), and Treasurer David Weiss (Pepco Energy Services). At the same time, NAESCO acknowledges the good work done by Buddy Hahs (Custom Energy and outgoing NAESCO Board Chairman) and Tom Dreessen (EPS Capital and outgoing Treasurer), the two members of the 2006-2008 Board management team who stepped down at the end of their term.

## **Conclusion**

NAESCO is proud to be the leading organization of the ESCO industry and of the many benefits and opportunities it has provided to our members in 2008. As in the past, in the coming year NAESCO will provide a strong and effective voice for the industry while pursuing creation of new market opportunities for your goods and services. We stand committed to moving ESCO causes forward and promoting the good and essential work our members do to address the energy and climatic challenges faced by our nation and the new Administration. We look forward to your continued support and to working for you in 2009.