



U.S. Department of Energy  
Energy Efficiency and Renewable Energy

# NAESCO Annual Conference

## The Federal Market: 7/11 or Snake Eyes

Doug Dahle

National Renewable Energy Laboratory

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# Overview

- Review GAO Audit Findings and Agency Actions
- EPACT 05 Impacts on ESPCs



# GAO Audit #2

- **Generally positive**
  - **Recognize the need for ESPCs to meet energy management mandates**
  - **Acknowledge federal sector focused on improvement through interagency forum - Federal ESPC Steering Committee**
- **Key concern is data to demonstrate ESPC savings exceed payments**
- **<http://www.gao.gov/new.items/d05340.pdf>**



# Review Recommendations

- **Directed to DOE, DOD, VA, GSA and Justice to address:**
  - **Information**
  - **Expertise**
  - **(future) Audits**
- **See handout - Recommendations for Executive Action**



# Action 1

- **Collect and use ESPC-related data more effectively by (1) compiling information on key contract terms—such as interest rates and markups for energy-efficiency equipment—for each ESPC and as a key part of best practices make information accessible to agency officials in negotiating subsequent ESPCs and (2) tracking actual costs, verified savings, and any changes to ESPC projects that may affect these costs and savings.**
- **DOE Super IDIQ mod for key deliverables and DO & DO Mods directed to DOE Golden CO**
- **Formed Working Group for ESPC collected data evaluation for all federal ESPCs**



## Action 2

- **Ensure that the agency officials responsible for ESPC decision-making use appropriate expertise when they undertake an ESPC. If the officials do not have sufficient expertise themselves, they should be required to obtain it from such independent sources as a centralized pool within the agency; the contracting centers of the Air Force, the U.S. Army Corps of Engineers, the Navy, and FEMP; or from private parties. The costs of acquiring this expertise should be considered in deciding whether to use an ESPC.**
- **DOE Policy requires use of Project Facilitator for every DOE Super ESPC project**
- **Federal ESPC Steering Committee established PF requirements and agency documented use of qualified in-house or DOE PFs**



# Action 3

- **Require, as appropriate and in line with available resources, that inspectors general or other audit offices conduct audits of ESPC projects to ensure the projects are achieving their expected results.**
- **Future Audits are expected**
- **Federal agencies and ESCOs need to jointly endeavor to implement “audit-proof” ESPC projects**
- **Federal agency collection and archiving of ESPC project data critical to respond**
- **GAO audit concern related to CBO scoring**



# Action 4

- **DOD/DOE contracting centers *should be* required to work with the agencies that use them to ensure that the contracting centers have the information and expertise needed to effectively develop and monitor their ESPCs**
- **Maintain procurement, legal, technical team core competency and agency access**
- **Interagency Federal ESPC Steering Committee**
  - **Develop policy, guidance, tools for consistent agency ESPC execution and administration**



# Action 5

- **DOD/DOE contracting centers *should be* required to continue and expand their ongoing efforts regarding competition, including taking steps such as recompeting the super ESPCs as soon as possible and then more regularly**
- **Interagency consideration of an approach for the selection of ESCOs under IDIQs in accordance with acquisition regulations**
- **DOE Super ESPC recompetete – planned IDIQ RFP late FY06, multiple awards in late FY07**



# Action 6

- **Finally, to strengthen the information available to the Congress for assessing the progress and effectiveness of ESPCs, we recommend that the Secretary of Energy collect more extensive information on agencies' ESPCs, including such critical elements as cumulative verified savings and costs, and include that information in its annual report to the Congress. As a part of this effort, we also recommend that the Secretary compare projects funded by ESPCs with projects funded by upfront appropriations to determine their relative costs and benefits. Specifically, the Secretary should determine, among other things, the effects of deterioration of energy efficiency savings in the absence of measurement and verification and delays in obtaining upfront appropriations relative to obtaining funds through ESPCs.**

- **Reiterates data collection expectation**

- **Case studies conducting economic analysis of ESPC and appropriated projects**



# EPACT 05 Impacts

- **Kudos to NAESCO, PFCC, ESCO industry for their role in restoring ESPC authority to 2016**
- **Sec 102**
  - **Energy reduction goals – 20% 2006-2015 (2003 baseline) – 63.8 trillion BTUs**
    - **ESPCs Critical Role (8000 BTUs/yr/\$)**
    - **7- 8 Billion investment need**
    - **Retention of Savings (100% - also DOD)**
- **Sec 103 – Advanced Metering**
  - **ESPC role in unfunded mandate?**



# EPACT 05 Impacts

- **Sec 203 – Federal Renewable Energy**
  - Curt to discuss
- **Increase renewables economic feasibility?**
  - **Sec 1337 – 30% solar tax credit**
  - **5 year accelerated depreciation for solar**
  - **Requires corporate ownership**
  - **Partner to capture tax benefits in ESPC**



# DOE Super ESPC Pipeline

- **Regional Super ESPCs**
  - **70 projects in various stages of consideration and development**
  - **Potential Projected Investment - \$200+ M**
- **Technology Specific Super ESPCs**
  - **GHP, Biomass, Solar**
  - **11 projects in various stages**
  - **Potential Projected Investment - \$60+ M**



## • Contact Info

• Doug Dahle, NREL, 303-384-7513,  
[douglas\\_dahle@nrel.gov](mailto:douglas_dahle@nrel.gov)

• Joyce Ziesler, DOE Golden, 303-275-4725,  
[Joyce.ziesler@go.doe.gov](mailto:Joyce.ziesler@go.doe.gov)