

# **Headquarters U.S. Air Force**

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**HQ USAF/A7CAE**

**Briefing to NAESCO Federal Market Workshop**

**Review of USAF  
ESPC Program**

**Brian J. Lally, P.E.  
Energy & Utilities Branch Chief  
10 Mar 08**



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# Overview

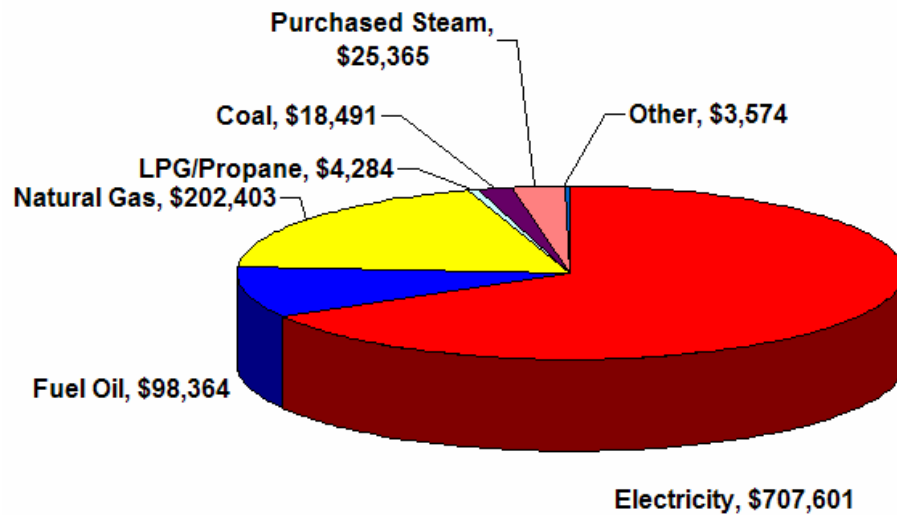
- **Current Infrastructure Energy Usage**
- **Energy Conservation Accomplishments**
- **Commitment to Energy Conservation**
  - **Strategic Energy Plan**
  - **Funding for Energy Projects**
- **Current Energy Conservation Progress**
- **USAF ESPC Program**
  - **Historical execution and investment data**
  - **AFAA Energy Management Program Audit Findings**
  - **AF ESPC Policy**
- **ESPC Way Ahead**



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# FY07 Air Force Facility Energy Use

### USAF FY07 FACILITY ENERGY COSTS (\$000)

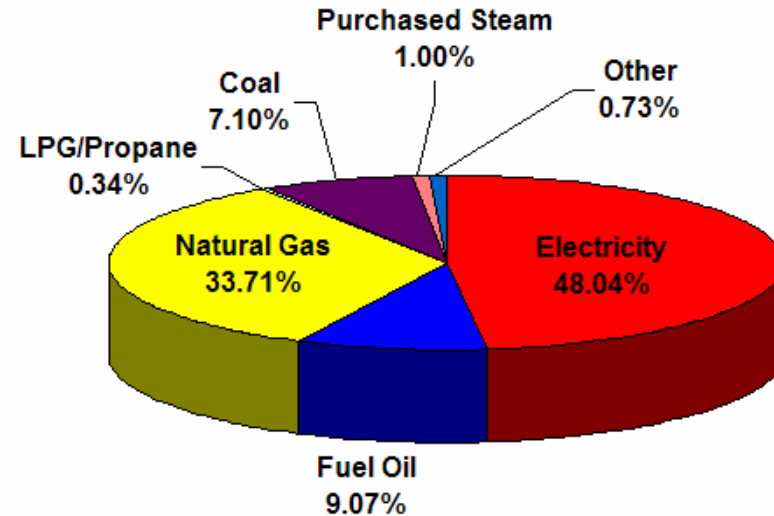


**\$1,060,082,000**

4.69% Reduction From FY06

FY06: \$1,112,314,452

### USAF FY07 FACILITY ENERGY USE IN BTUs



**71,161,000 MBTU**

3.16% Reduction From FY06

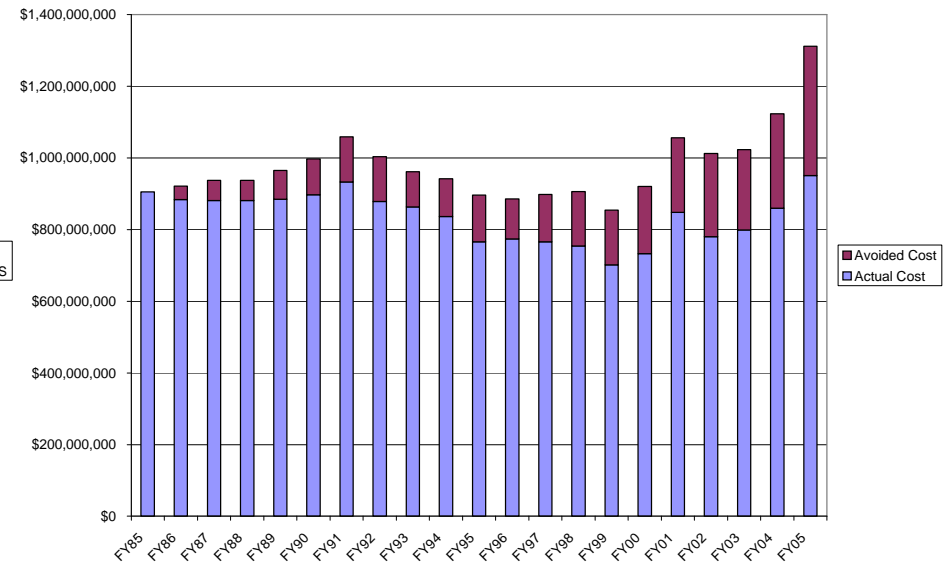
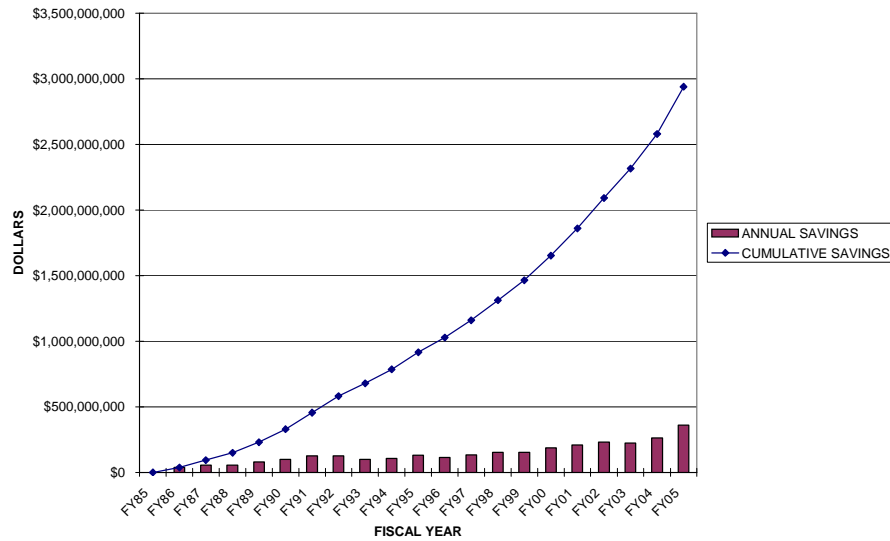
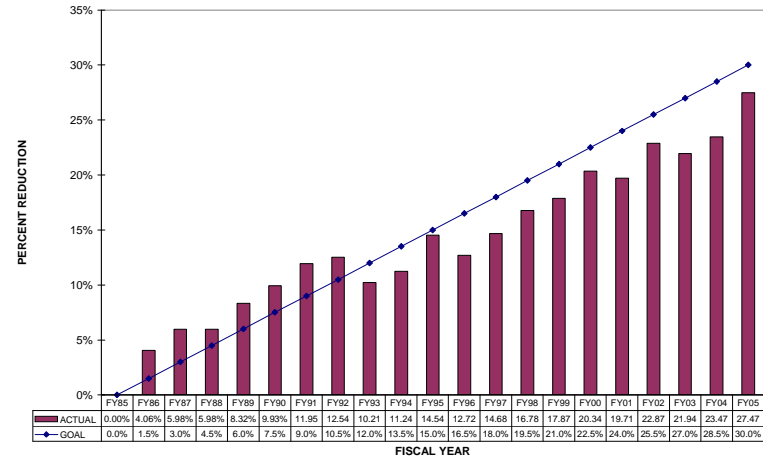
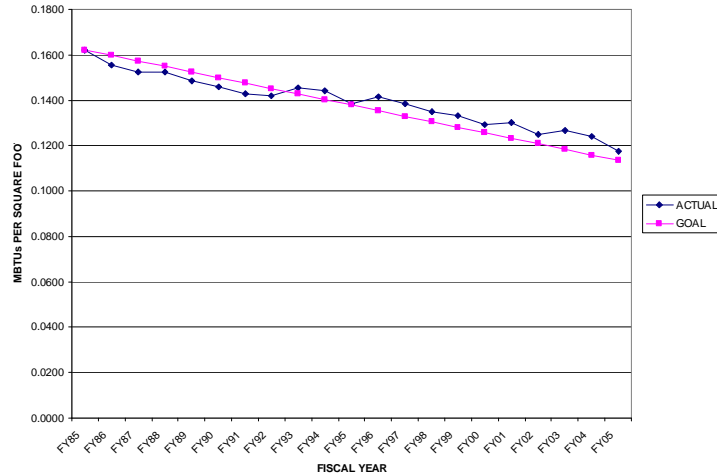
FY06: 73,479,602 MBTU

SOURCE: FY07 ANNUAL ENERGY MANAGEMENT REPORT TO CONGRESS



# Energy Intensity Reduction and Cost Avoidance FY86-05

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## *Industry Questions AF Commitment to Conservation*

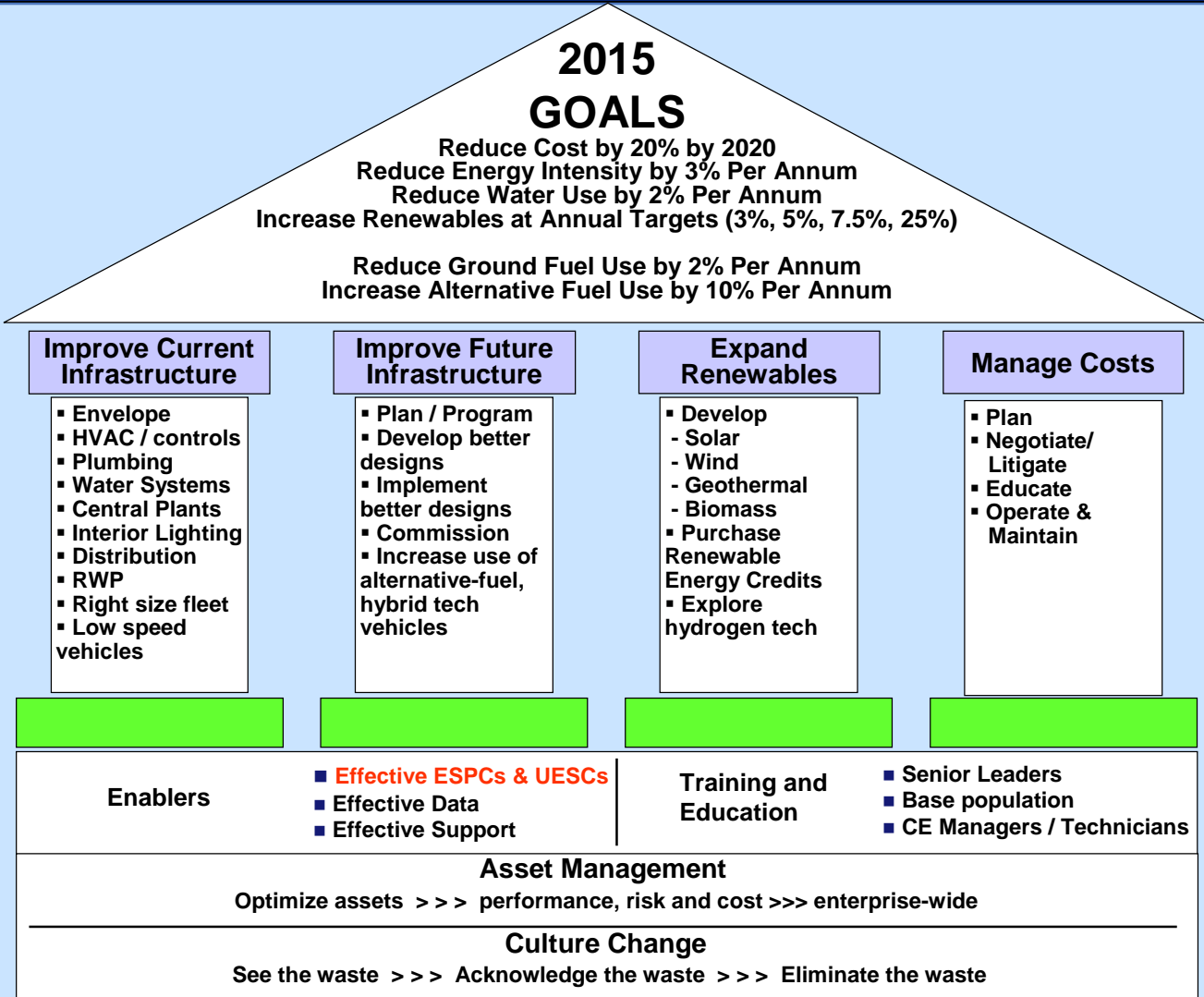
- Met all mandated conservation and renewable energy goals since 1975
- Recipient of *Presidential Award for Leadership in Federal Energy Management 2007*
- Well-ahead of EO 13423 mandated 3.0%/yr targets
- AF ESCO Investment since 1994:
  - 111 Task Orders, 14 ESCOs, at 48 Bases
  - \$540M invested; \$1.20B debt
  - First T.O. to Johnson Controls at Randolph AFB TX
- Each \$70M in ESCP contract investments contributed to overall 1.0% reduction in AF energy consumption
- ESPCs are a “tool” in our energy conservation toolbox

***Energy savings needed for weapons systems modernization***



# USAF Energy Strategy

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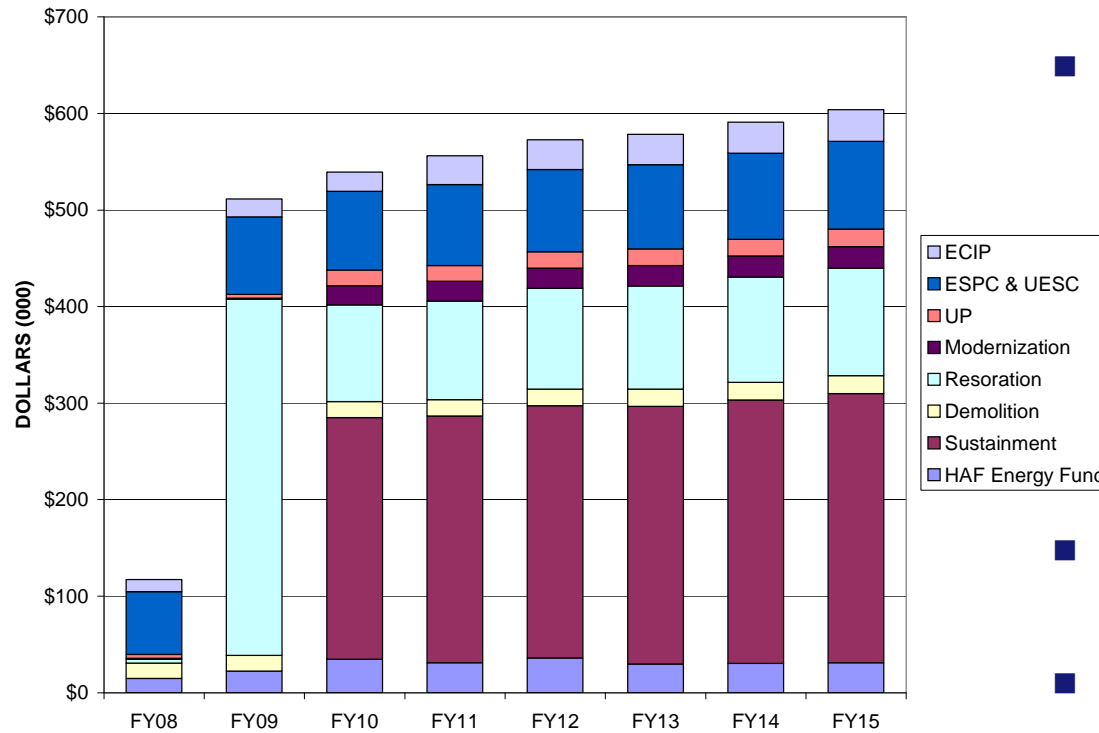


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# Future USAF Energy Funding Projections

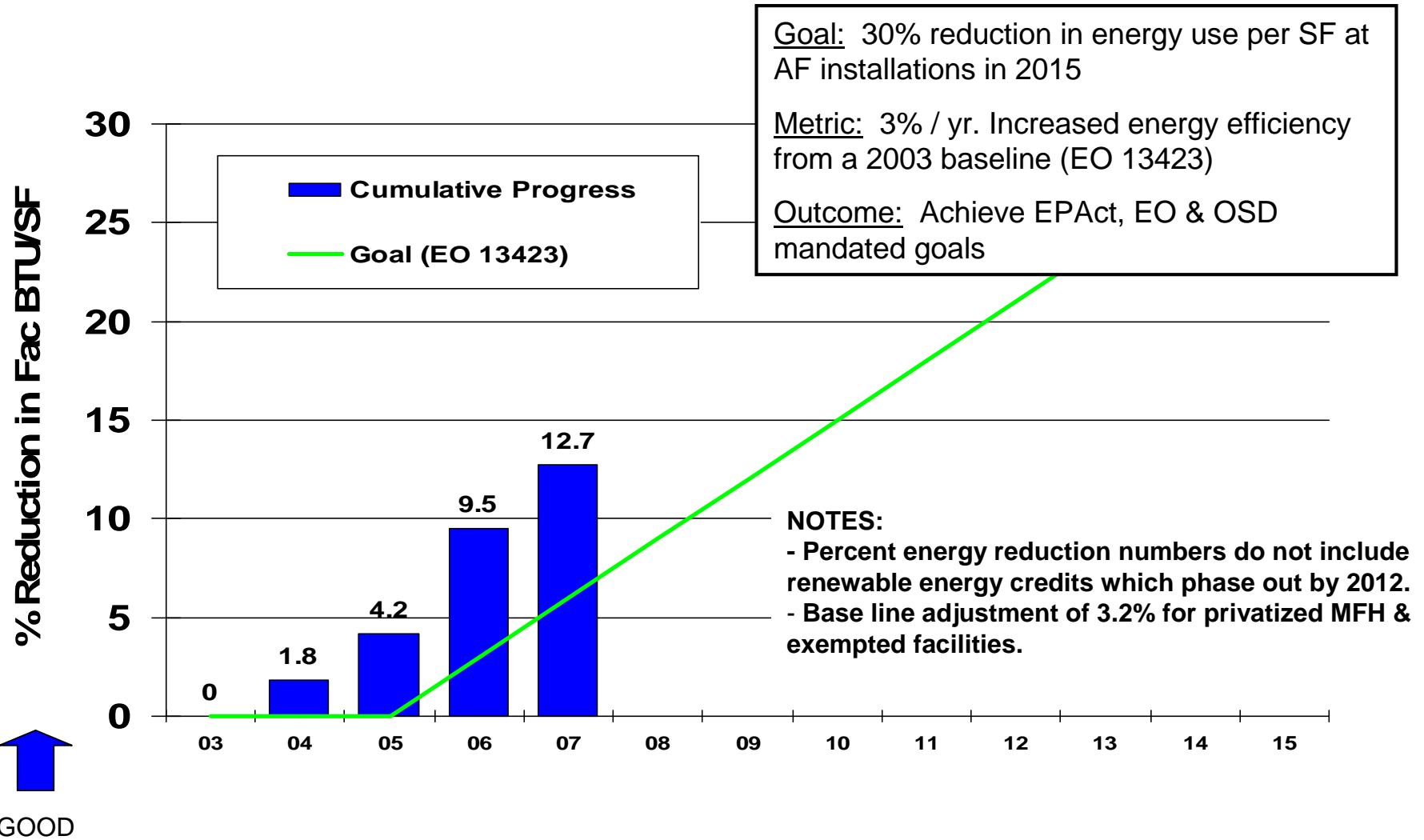


- No Funding Line for energy – investments in S/R&M, FO, Demo, ECIP, etc...
- HAF and MAJCOM must set investment targets to meet EAct 05 and EISA 07 mandates
  - HAF manages Enabling, ECIP, Demo, UP and Sustainment-Energy shown above
  - MAJCOMS must set targets and track returns on investment across multiple accounts
- ESPC and UP Water Systems represent new investment only (no carrying charge)
- Enabling Funds – \$230.4 M of seed money across FY08-13 held in HAF account



# EO 13423 Energy Reduction Status

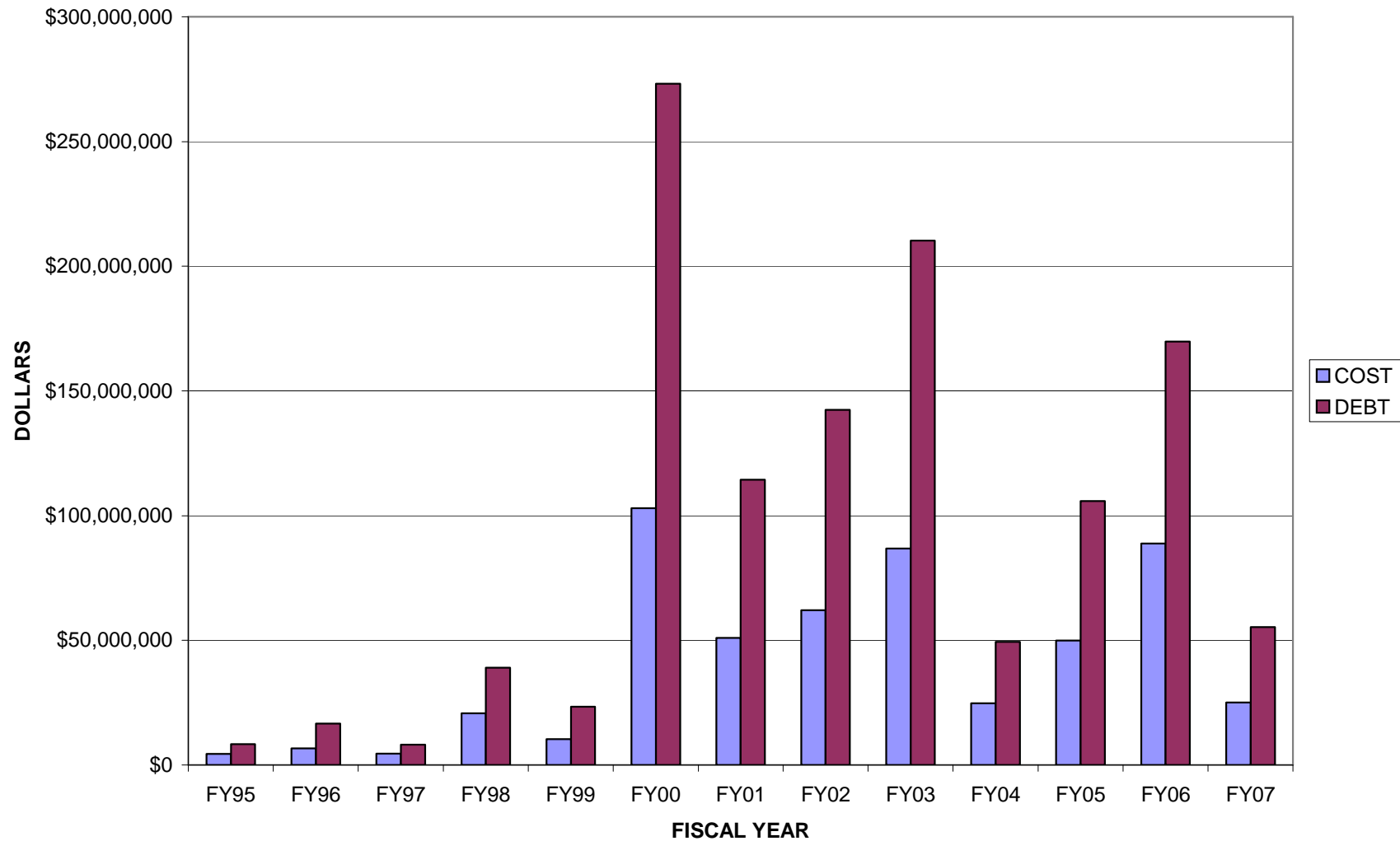
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# ESPC Task Order Awards FY95-07

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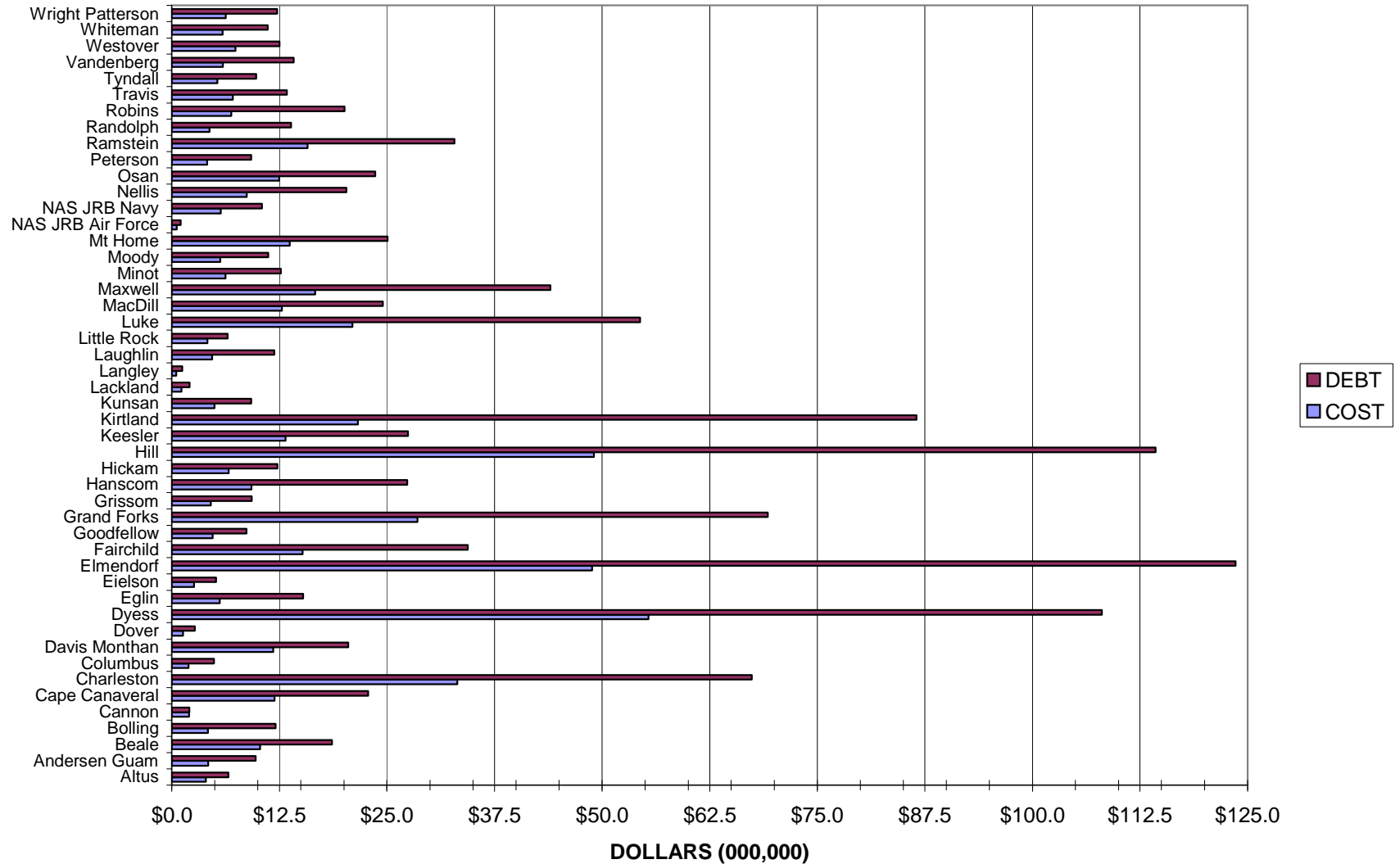


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# ESPC Task Order Awards by Base

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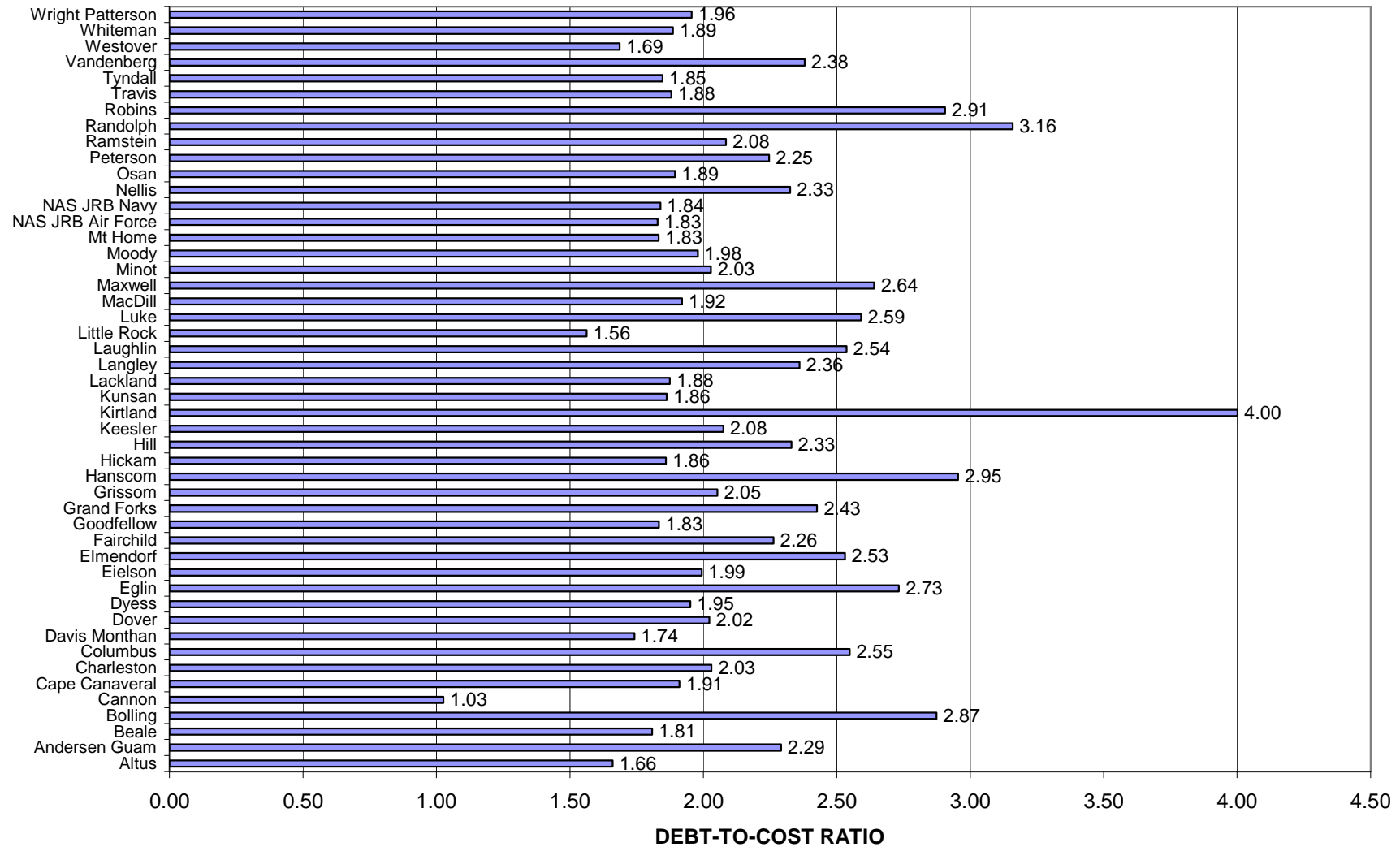


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# ESPC Debt-to-Cost Ratios

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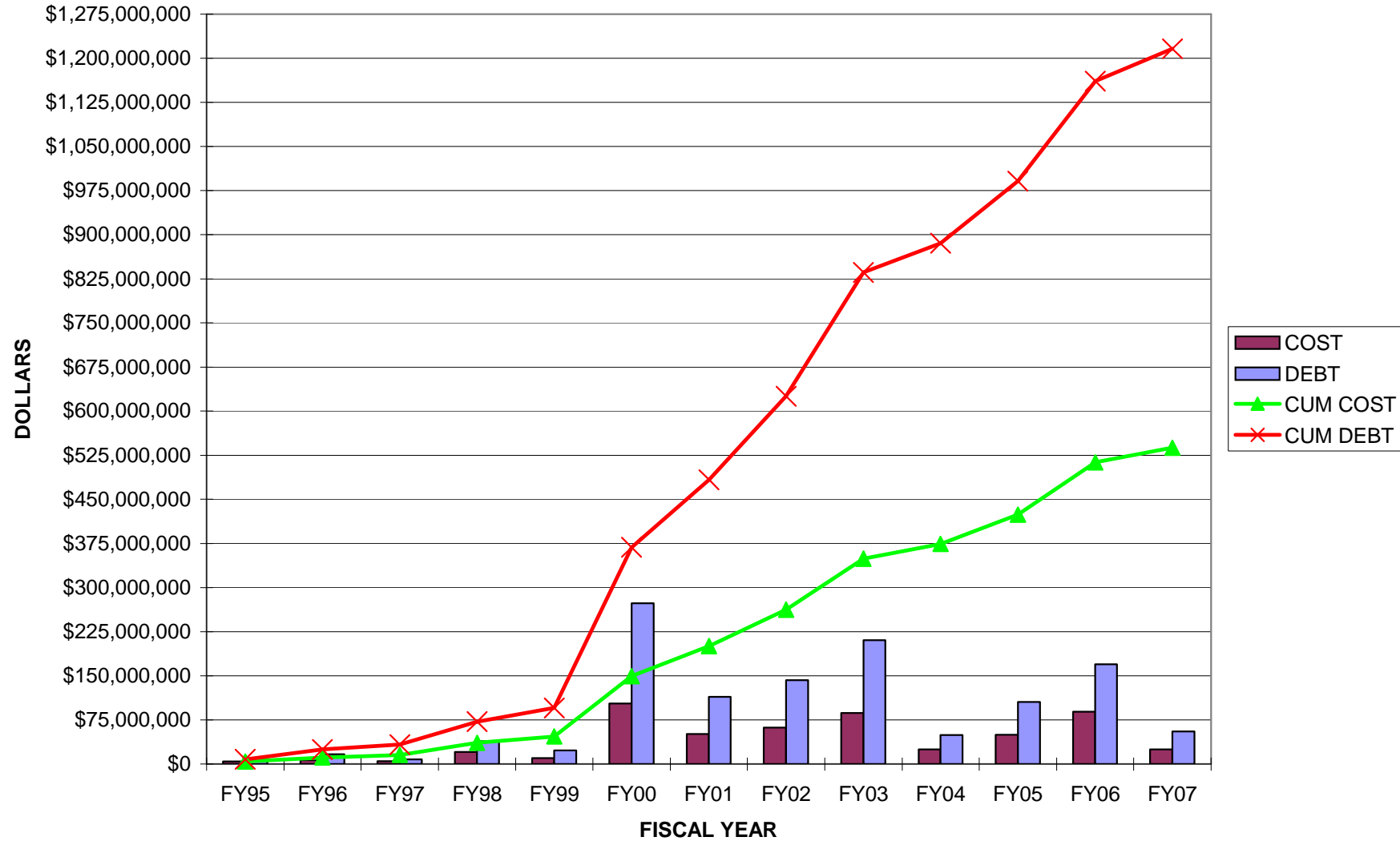


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# Task Order Awards FY95-07

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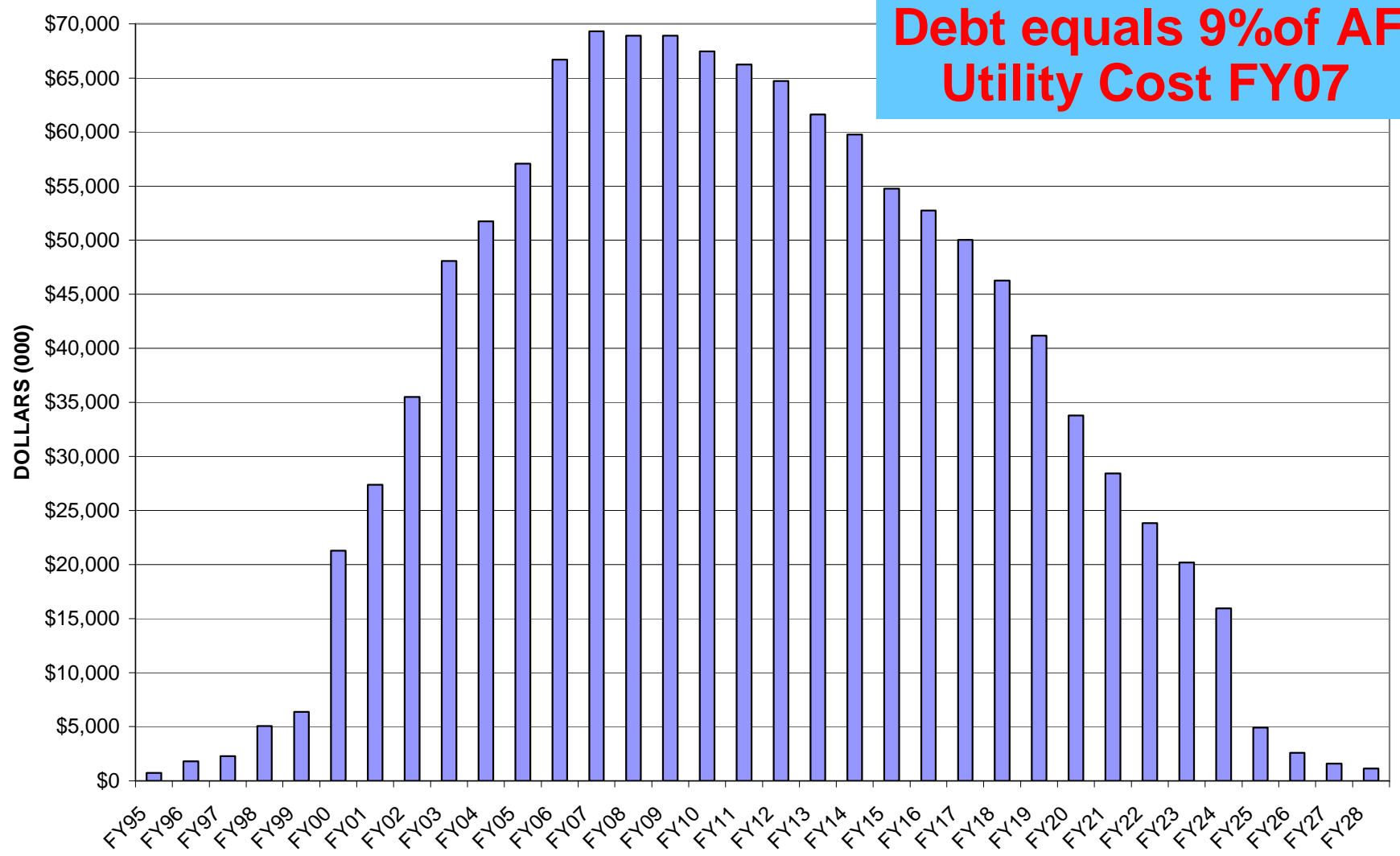


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# Annual ESPC Payments FY1995-2028

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## ***Recent ESPC Audit Findings by AFAA*** ***F2008-0002-FD1000, 26 DEC 07***

### ***AUDIT CONCLUSIONS:***

- **USAF did not properly validate savings or maintain valid baselines to measure savings**
- **USAF did not effectively reduce energy consumption**
- **USAF did not evaluate alternatives to identify the most economical method for reducing energy consumption prior to awarding ESPC contracts**
- **Contracting officers agreed without negotiation to:**
  - **unfavorable terms**
  - **non-itemized and unsupported miscellaneous expenses**
  - **unneded contingency terms and markups**
  - **equipment service-lives shorter than contract term**



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# ***USAF ESPC Policy***

- **AF/A7C Memo to MAJCOM Engineers 30 OCT 07**
- **We need to ensure the business case is clearly defined, transparent, and meets the AF strategic energy goals**
- **“Generally, we should only pursue ESPCs and UESCs when we are unable to fund them ourselves and only when they make good business sense.”**
- **“Effective immediately, AF/A7C will be the approval authority for all Air Force ESPC and UESC projects.”**
- **“I expect MAJCOMs and bases to continuously evaluate existing contracts to determine if they should be bought out due to less-than-favorable financing.”**



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# ***ESPC Way Ahead***

- **USAF recognizes the value of ESPCs and UESCs for energy conservation ... *and we will use them!***
- **New USAF procedures in-place to correct our own deficiencies managing third-party financed work and establish accountability and discipline in the process**
- **We will conduct our own audits to determine energy requirements and target strategic investment priorities and funding avenue**
- **No more “stipulated” savings**
- **Energy is “BIG” business in the USAF. We are sure industry wants to partner with the AF to meets our energy goals.**