



# Assessing the Federal Commitment to ESPCs

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## Federal Performance Contracting Coalition Goal: More, Better, Faster

- Ameresco
- Constellation Energy
- Honeywell
- Lockheed Martin
- Pepco Energy Services
- Trane
- Chevron Energy Solutions
- FPL Energy Services
- Johnson Controls
- Noresco
- Siemens Government Services



# Federal Energy Mandates and Goals

- 30% energy intensity reduction of 30% by 2015 (note that this is far less ambitious than the President desire to green of 75% of Federal Buildings)
- Increased on-site renewable energy generation – ACES sets a goal of 20% by 2020
- Emissions reductions of 28% by 2020



## What will it take to meet the Executive Order and EISA Energy Goals?

- Based on 2008 DOE Federal Energy Management report, federal government will have to invest \$9 billion between 2009-2015
- This is approximately \$1.4 Billion per year!



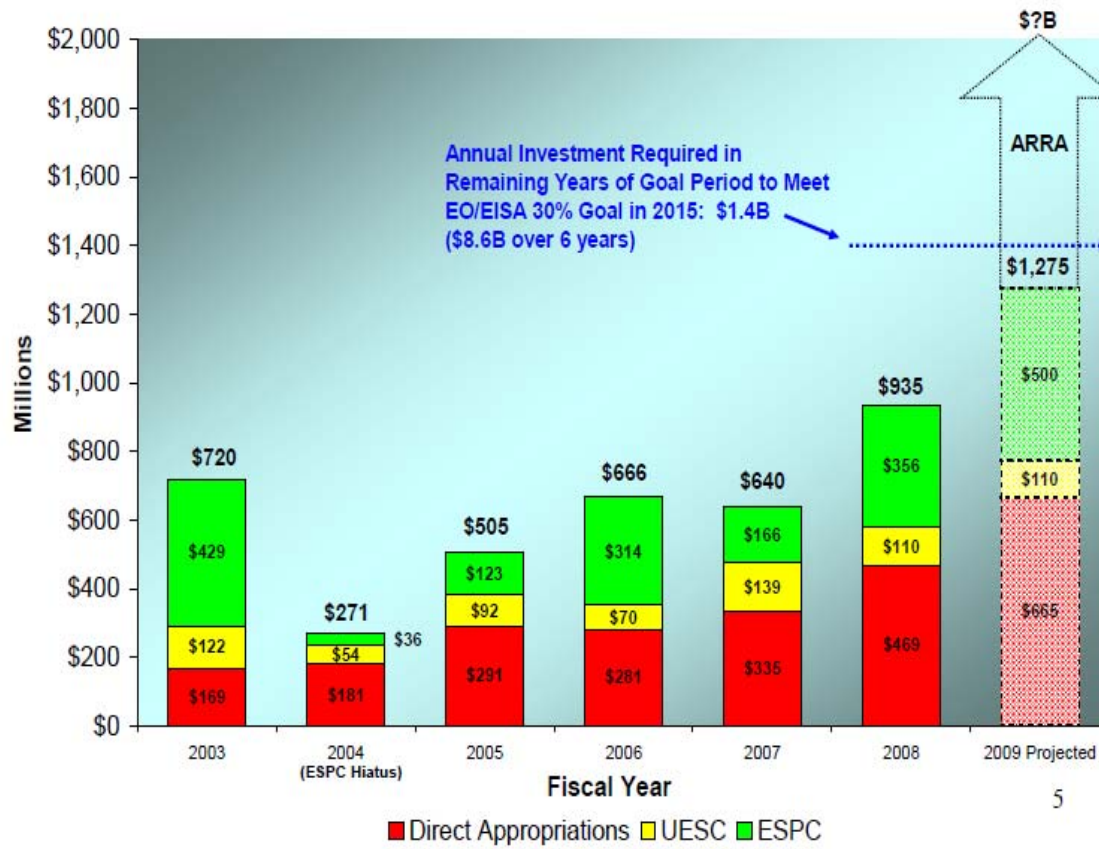
# What has been the Historic Funding?

- FY 2003 through FY 2008, the Federal government invested \$3.74 billion in energy efficiency improvement projects (\$622 M per year)
  - Direct Appropriations totaled \$1.73 Billion (46%)
  - Privately financed energy efficiency investments totaled \$2.01 Billion.
    - \$1.426 Billion (38%) through ESPCs
    - \$588 Million (16%) through Utility Energy Service Contracts (UESCs).



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

## Federal Funding Trends





## 2009 Data

- Over 46 projects in over 20 states
- Total investment value of about \$435 million (this is less than the \$1.3 B cited by DOE as it is investment value)
- An additional \$260 M during October – December 2009, which will count towards 2010 results



## Reasons for Good 2009 ESPC Results

- Last year to use the “old” SuperESPC contract so agencies wanted to award projects that were started under the “old” process
- \$700 million includes FY09 and Calendar year 09
- Range of projects from \$1.3 million to \$149 million



## 2010 Expectations

- The “old” contract was extended an additional 2 months to bring projects to award
- Under the new contract:
  - 1 Projects awarded (more of a PPA under NAVFAC SW)
  - 11 Projects solicited (five in calendar year 2010)
  - 7 of those 11 Projects currently being developed



## ESPCs under solicitation since Jan 08

- Bureau of Land Management
- NASA-JPL
- Bureau of Prisons
- Coast Guard
- Veterans Administration VISN 20
- Department of Health and Human Service (will not use DOE ESPC contract)
- Fort Lee –Army (on hold)
- GSA Regions 7 (Fast tracked w/ARRA funds, thus used sole source exception)
- Forest Service (since pulled)
- Federal Aviation Administration
- Oak Ridge National Laboratory

*Note – only 1 DOD project vs. majority of projects previously were DOD*

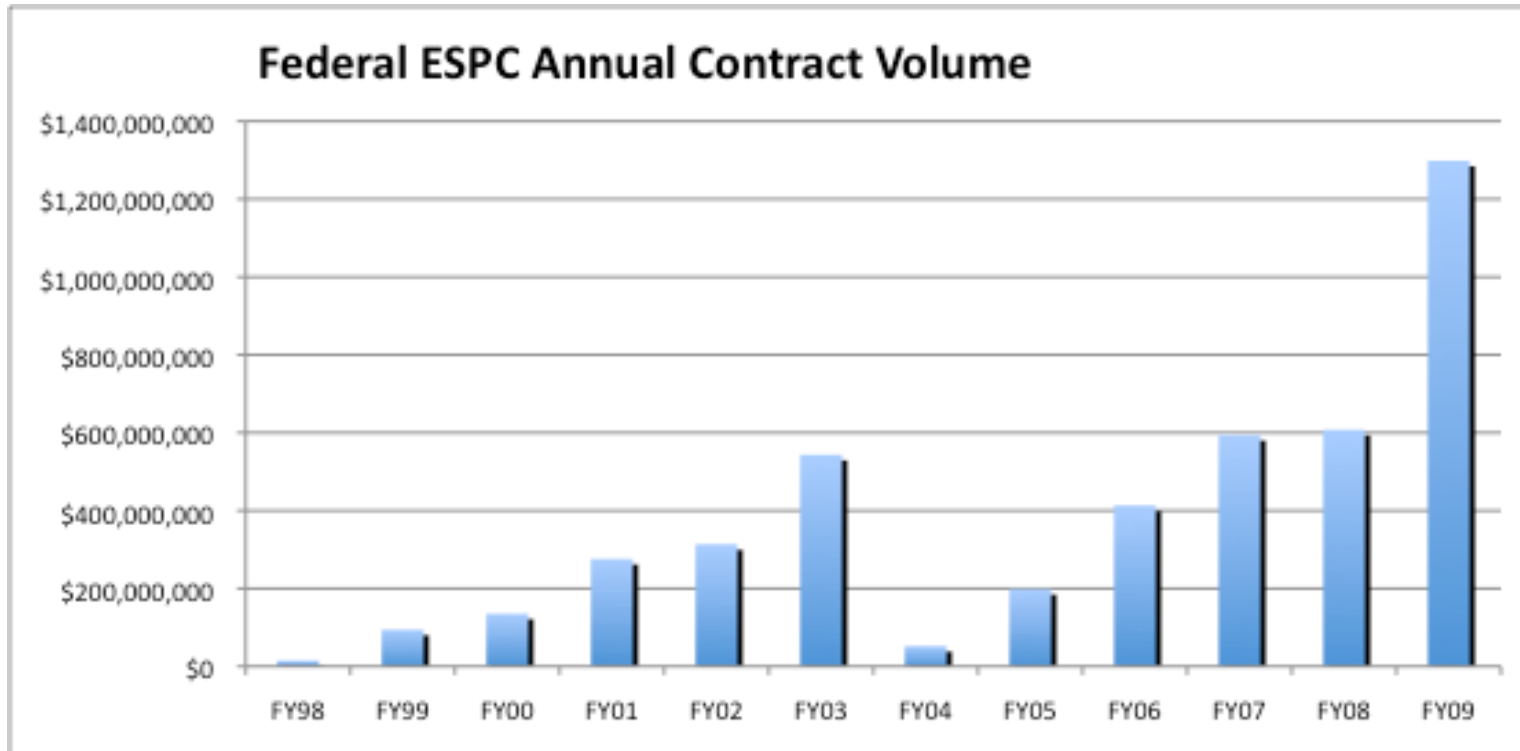


# Will 2010 be a Tough Year for ESPCs?

- Impact of Stimulus
  - Appropriated \$ available
  - Limited Gov't resources to administer everything
- Impact of New Contract and DefAuth08 Enhanced Competition/fear of protests
- Perceived lack of Administration Interest/advocacy
- Even projects under development will not likely be awarded until 2011
- Saving Grace: 'Old' contracts concluded from Oct 09-Feb 10



# Historic ESPCs based on Contact Price





# Making the Best Use of ESPCs

- Lessons from past ESPC peaks
- Identifying today's barriers
- Suggestions for moving ahead



## What Drove Past Peaks?

- Simple answer – sense of urgency in the government
- 2003 – sunset of ESPC law
- 2007-2008 – DOE TEAM initiative
- 2008 – OMB and DOE “blitz”
- 2009 – Expiration of “old” Super ESPC contracts



## New Contract, New Problems

- “It’s always something”
- Losing sight of the cooperative nature of ESPC
  - Long term partnership
  - Doesn’t work as standard procurement without budget
- Government hindering its ability to meet goals
- DOE/FEMP advocates or adversaries



## New Super ESPC Contract Intent

- Expand the pre-qualified contractor pool
- Take full advantage of ESCO industry capacity
- Deliver more projects faster

### **BUT**

- Project development times lengthening
- Some participants may not survive



# ESPC Programs Need Champions

- Lesson learned from 30 years of ESPC in federal and state government facilities
- ESPC process complicated
- Agencies need encouragement and coaching
- Embolden FEMP and ensure adequate resources
- Make the FEMP Project Facilitators into advocates



## Best Use of Enhanced Competition

- ESPC is a contract for energy savings, not ECMs
- ESCOs always compete on scope and approach
- Government identified measures should be the minimum not the maximum
- Most construction bids allow for added alternates proposed by bidders – government should not restrict this competition



## Restore the Sense of Urgency

- Use the bully pulpit to inform energy managers across the government that this Administration supports ESPC use
- Support agencies to establish 5 year strategic execution plans for energy projects that identifies investment needs and funding sources
- Bring back the FEMP advocates
- Support legislative and administrative change to maximize the value of enhanced competition



# Questions or More Information

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