ESPC and the ESC
Where are We?
How did we get Here?
Where are we Going?

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Historical Background

- Grew out of Western Regional Coalition 1999
- Public/ Private network
- Members include State Energy offices, ESCOs and others
- National organization built with state chapters to do boots – on- the ground work in promoting performance contracting.
- Collective Goal continues to be promoting the broader use and acceptance of performance contracting.
Historical Growth of ESPC

Figure ES-1

ESCO Industry Activity, 1990-2008

Note: growth rates are based on high estimates

- Low estimate
- High estimate

20% annual growth

22% annual growth

3% annual growth

2007 survey

Based on expected revenue growth
Key Elements/Best Practices

- How to Scale the successes of some states
- Study supported by DOE - 2007
- 10 Key Attributes became the backbone of successful Performance Contracting Programs
- Recently updated with DOE
- Partnering with NASEO and NAESCO to deliver Best practices to help overcome market barriers
# Key Attributes/Best Practices

<table>
<thead>
<tr>
<th><strong>Best Practices</strong></th>
<th><strong>Description</strong></th>
<th><strong>Tools</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>SEO Leadership</td>
<td>Establish the SEO as the source for information on energy performance contracting</td>
<td>SEO Program</td>
</tr>
<tr>
<td>Strong Legislative and Gubernatorial Support</td>
<td>Utilize legislature and gubernatorial powers to establish ESPC as a priority for state agenda</td>
<td>State Program Administrator</td>
</tr>
<tr>
<td>Consensus Support for State Decision-makers</td>
<td>Establish consensus support among key state decision-makers (legal, procurement, finance)</td>
<td>Model Legislation</td>
</tr>
<tr>
<td>ESC State Chapter or Similar Stakeholder Group</td>
<td>Establish an ESC state chapter or similar stakeholder group</td>
<td>ESPC Legislation by State Sample Executive Orders</td>
</tr>
<tr>
<td>Pre-qualified ESCOs</td>
<td>One time competitive RFP to pre-qualify ESCOs</td>
<td>Model RFP to Pre-Qualify ESCOs Evaluation and Selection Process and Forms</td>
</tr>
</tbody>
</table>

Starting an ESC State Chapter
# Key Attributes/Best Practices

## Pre-approved Contracts
- State attorney pre-approval of model contracts (audit, performance contracts; financing agreements)
- Model Energy Performance Contract
- Model Technical Energy Audit & Project Proposal
- Model Finance Solicitation Pkg
- Model RFP for Project Oversight Agreements
- SEO-ESCO Base Contract
- Facility Owner MOU
- Monitoring & Verification Guidelines
- Sample RFP for Tech Assistance

## Project Oversight and Technical Assistance
- Ongoing support to facility owners doing ESPC projects
- What is Performance Contracting?
- Five Steps to a Successful Performance Contract
- Workshop in a Box
- Procurement & Contracting Documents for Facility Owners
- Self-funded Programs
- Guaranteed Savings Pay for Project Oversight
- Other Program Funding Strategies

## Education and Outreach
- Educate potential end-users on performance contracting benefits and the processes to achieve a successful project
- Sample ESPC program funding mechanisms
- What is Performance Contracting?
- Five Steps to a Successful Performance Contract
- Workshop in a Box
- Procurement & Contracting Documents for Facility Owners
- Self-funded Programs
- Guaranteed Savings Pay for Project Oversight
- Other Program Funding Strategies

## Program Funding Strategies
- Sample ESPC program funding mechanisms
- Self-funded Programs
- Guaranteed Savings Pay for Project Oversight
- Other Program Funding Strategies

## Tracking and Comparing Project Progress
- Establish simple tracking guidelines for projects and the program to demonstrate program success through measurable results
- State Project Data Collection Form
- Race to the Top - State-by-State Comparison
Benchmarking

- 2007: 17 State Chapters adopted some level of the 10 Key Attributes
- 2011: found 50 States to have adopted some level of the Key attributes
  - E.g. Arizona 2006 – one key attribute (enabling legislation)
  - With ESC assistance – six additional
  - $39 million to $300 million in work.
Key elements examples

- Connecticut: zero to four in four years
- Delaware: zero to several in 2011
- Georgia: zero to nine
- Massachusetts: zero to seven in 2011
- New Jersey: zero to eight key attributes by 2011

- SEO and ESC partner with NASEO in 2012
- 60% with some operational energy savings programs.
New Partner and Benchmark

- Association of Chemical and Energy Efficient Education [ACEEE]
- Leading by Example collection
  - Benchmarking requirements for buildings;
  - New and existing state building requirements
  - Efficient fleets
  - Espe policy and programs – which together scored 2 points of the 50.
State Distribution of LBE

LBE and Other Efficiency Efforts

R² = 0.2159

2013 State Scorecard Score

Points Earned for Lead-by-Example Efforts
# Measuring ESPC Programs in States

## Scoring Criteria for Energy Service Performance Contracts

States that satisfy at least 2 of the following 3 criteria receive 0.5 points.

<table>
<thead>
<tr>
<th>Category</th>
<th>Qualifying Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encouragement</td>
<td>Explicitly promotes usage of ESPCs to improve energy efficiency of public buildings through statutory requirements, recommendations, or explicit preference for using ESPCs, executive orders that promote or require ESPCs, and/or financial incentives for agencies seeking to use ESPCs.</td>
</tr>
<tr>
<td>Leadership</td>
<td>State houses a program that directly coordinates ESPC efforts, or a specific agency serves as lead contact for implementing ESPCs.</td>
</tr>
<tr>
<td>Resources</td>
<td>State offers documents that streamline and standardize ESPC process including list of prequalified service companies, model contracts, and/or manual that lays out procedures required to utilize ESPCs.</td>
</tr>
</tbody>
</table>
## Leading by Example

<table>
<thead>
<tr>
<th>State</th>
<th>Benchmarking Requirements for Public Building</th>
<th>New and Existing State Building Requirements</th>
<th>Efficient Fleets</th>
<th>ESPC Policy and Programs</th>
<th>Score (2 pts.)</th>
<th>Overall 2013 State Scorecard Score</th>
<th>ESPC Score only (0.5 pts.)</th>
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<tbody>
<tr>
<td>Massachusetts</td>
<td>•</td>
<td>•</td>
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</table>
Growing the Organization and ESPC

- Launch and Relaunch of
  - Delaware
  - Minnesota
  - Nevada
  - New York
  - Kansas
  - Puerto Rico
- And technical assistance to number of additional non-chapters to grow the program
Emerging as Priority Program in a number of states

- Regional Energy Forums – through NASEO and others
- EECBG raised awareness, created momentum, and introduced performance contracting as a solution for financing energy efficiency
- Education on resources and value continue to be needs
- Part of a broad set of tools in financing to help encourage energy efficiency retrofits
Coming Up Next........

- North Carolina – on small ESPC projects
- Colorado – expanding ESPC to the private sector
- Kentucky - local government grant program tied to performance contracting
- Nevada - new grant program that also promotes ESPC at the local level
- Last year’s conference presentation on Washington benchmarking and Massachusetts to green every state building that hadn’t been touched.