



COLORADO

It's our nature.™

Lessons learned *venturing into the private sector market*

Jeanna Paluzzi, CEO EPC Program Manager

Brian Carlin, Nexant Inc. Energy Engineer



COLORADO
Energy Office

Energy Services Coalition's
Third Annual Market Transformation Conference
St. Paul MN, July 30, 2014

The Colorado Energy Office

MISSION STATEMENT

*The CEO's mission is to improve the effective use of all of Colorado's energy resources and the **efficient consumption of energy** in **all economic sectors**, through providing technical guidance, financial support, policy advocacy and public communications.*

DEPARTMENT VISION

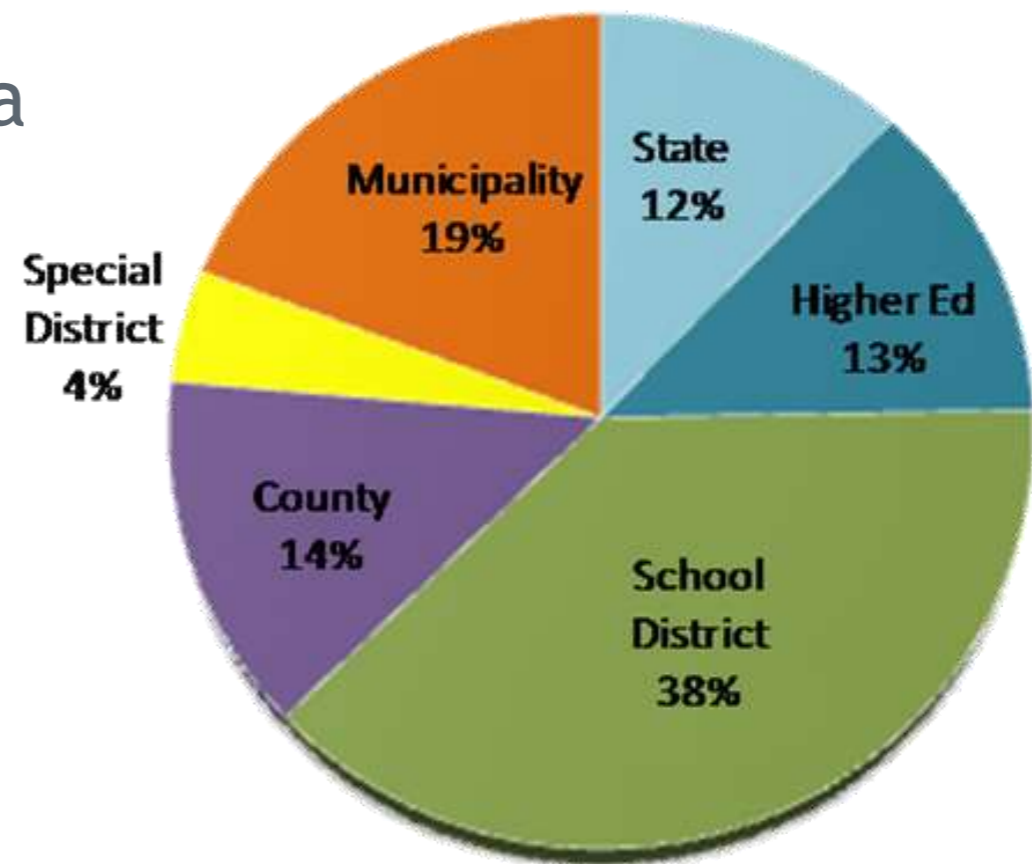
*The CEO's vision is to help Coloradans live more prosperous and healthy lives by promoting innovative energy production and **efficient energy consumption** practices that are **beneficial to the economic and environmental health** of the state.*



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Public Sector EPC Performance as of June 2014

- Available since the mid-1990s
- 182 active and completed projects
- 143 facility owners benefitting
- \$447.4 M total project investments
- \$88.96 investments per capita



Public Sector EPC Performance as of June 2014

- Available since the mid-1990s
- 182 active and completed projects
- 143 facility owners
- \$447.4 M total project investments
- \$88.96 investments per capita
- EPC projects in communities across 75% Colorado counties
- Annual savings

\$28.8 M Utility cost savings

\$2.1 M O&M costs

141.8 M kWh Electricity

9.95 M therms Natural gas, propane, heating oil & coal

467,200 kgal Water

*Energy Services Coalition
Race to the Top*

#3

#5



Standards for Success

- Standardized, state-approved contracts + protocols + guidance
 - Program brochure
 - MOU between CEO and Facility Owners
 - ESCO selection process guidelines, when required
 - TEA and EPC contracts
 - Financing bid package
 - M&V guidelines
 - Commissioning guidelines
- A pool of pre-qualified ESCOs, providing both depth + breadth
 - Annual renewals over a five-year Base Contract period
 - Minimum requirements for annual renewal
- CEO advice and technical support
 - *Free of charge*
 - Throughout project lifecycle
 - Upon Facility Owner signing of MOU
- Private market-based financing

Is This Success Transferrable to the Private Sector?

- 2011 Competitive Award from USDOE
- Lawrence Berkeley National Lab study
- Program consultant
- Standards for Success
 - Contracts, protocols, guidance docs
 - CEO advice and technical support
 - Private market-base financing
- Incentivized participation
 - 75% (up to \$25,000) of TEA cost per participating company



Lessons Learned

Colorado Private Sector EPC Pilot Project

*Brian Carlin, Nexant Inc.
Project consultant to CEO*



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Participation

- Goal: Engage 10 companies in the EPC process
- Vetted 27 prospects for a good fit with EPC
 - 6 Owner-occupied and leased office buildings
 - 4 Medical (assisted living & hospital)
 - 3 Manufacturing
 - 3 Mountain resorts (lodging + ski operations)
 - 2 Retail space
 - 9 Miscellaneous: Multi-family, TV, bank, warehouse, community center, ice rink, car dealership, charter school and oil & gas production



Preliminary Results

- 16 companies contracted investment-grade energy audits
 - 2.1 million square feet
 - Potential annual savings identified, if fully implemented
 - 12.8 million kWh electricity
 - 450,000 therms natural gas
 - 3434 kgal water
 - \$1.45 million utility cost savings
- Project tracking
 - 3 already under performance contract
 - 10 in decision-making mode
 - 3 Self-implementing



Lessons Learned

- Term of property hold
- Financial: ROI or payback required, timing with company budget cycle
- Incentive: Offer on scheduled basis, rather than open enrollment. Split between TEA buy-down and implementation measures. Fed \$ required DUNS and SAMS
- Business-friendly contract docs
- Clear marketing strategy
- Internal approval processes



Market Barriers

- Need for short payback
- Internal financing vs. traditional 3rd party
- Layered decision-making with competing interests in savings
- Need for business-friendly contracts



Market Benefits

- Deeper retrofits
- Initial projects leading to company scaling up adoption of EPC tool
- ESCO-client relationship building opportunities



Next Steps

Due Diligence in Permanent Program Design

Jeanna M. Paluzzi
Colorado EPC Program Manager



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Now Through December 2014:

- Continue support to the original 16 companies
 - Conversion of TEAs to EPCs
 - Self-implementation progress
- Network with commercial real estate interests
- Research: market potential, ideal client
- Tailor contracts (programmatic + legal content)
- Tailor program docs
- Make other decisions about permanent program design



Our Ask of You Today

Questions for our SEO colleagues:

- Have you considered extending state EPC program support to the private sector?
- If not,
 - Why?
 - Do you offer alternative programs that prompt energy efficiency investments?
- If yes,
 - What would work well?
 - What challenges have you run up against?



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Our Ask of You Today

Our questions for ESCOs:

- Do you offer EPC services to the private sector?
- If no, what alternative EE services are in demand?
- If yes,
 - What do clients say are EPC's benefits?
 - What challenges have you run up against?





State of Colorado
John W. Hickenlooper, Governor

www.colorado.gov/energy



The Colorado Energy Office



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