Session: Third-Party Financing Options

DOE Energy Savings Performance Contracts (ESPCs) and ESPC ENABLE

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Oak Ridge National Laboratory
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DOE Federal Energy Management Program’s (FEMP’s) Mission

FEMP works with key individuals to accomplish energy change within organizations by bringing expertise from all levels of project and policy implementation to enable Federal agencies to meet energy-related goals and to provide energy leadership to the country.
What are ESPCs?

Contracts that allow agencies to do energy projects with no up-front capital cost and no special appropriations from Congress

- **Energy Services Company (ESCO)**
  - Provides development and installation of energy and water conservation measures
  - Guarantees resulting cost savings sufficient to cover project costs
  - Acquires financing

- **Agency**
  - Pays ESCO over term of contract from guaranteed cost savings
  - Contract administration → life of contract
Authorizing Legislation

• ESPC statute:
  – 42 USC § 8287

• Regulations governing ESPCs:
  – DOE Rule: 10 CFR 436 Subpart B
  – FAR Part 23.205

• Legislative background, significant events:
  – National Energy Conservation Policy Act (NECPA 1986),
  – Energy Independence and Security Act (EISA 2007)

See FEMP ESPC Web pages for more on legislation and authorization
Reallocate the Government’s Utility Bill:

- Stop paying for waste and pollution
- Start paying for efficiency

ESPCs are Budget-Neutral

Before ESPC

Agency's Cash Flow ($)

$$$ for Energy + Related Operations & Maintenance

Performance Period

Excess Savings

Payments to ESCO $$$

After ESPC Term

Savings $$$

E+O&M Cost Savings

$$$
$$$

for Energy + O&M

for Energy + O&M
Benefits of ESPCs

Financial Benefits

• Fund energy improvements with no up-front capital costs (save appropriations for other needs)

• Leverage appropriations to build more comprehensive project

• Obtain long-payback ECMs by bundling with short-payback ECMs

• Optimize use of agency O&M and R&R funds – O&M/R&R can be included in the contract

• Guaranteed equipment performance and standards of service as well as guaranteed cost savings
## ESPC Process and Project Milestones

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Phase</th>
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<tbody>
<tr>
<td>Acquisition Planning</td>
<td>Phase 1</td>
</tr>
<tr>
<td>ESCO Selection</td>
<td>2</td>
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<tr>
<td>Preliminary Assessment</td>
<td>2</td>
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<tr>
<td>Notice of Intent to Award</td>
<td>2</td>
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<tr>
<td>Request for Proposal</td>
<td>3</td>
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<tr>
<td>Investment-Grade Audit</td>
<td>3</td>
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<tr>
<td>Proposal and Proposal Review</td>
<td>3</td>
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<tr>
<td>Negotiations and Task Order Award</td>
<td>3</td>
</tr>
<tr>
<td>Final Design and Construction</td>
<td>4</td>
</tr>
<tr>
<td>Project Acceptance</td>
<td>4</td>
</tr>
<tr>
<td>Post-Acceptance Performance Period</td>
<td>5</td>
</tr>
</tbody>
</table>
FEMP’s ESPC Team
Dedicated to helping agencies succeed with ESPC

• The FEMP Federal Project Executive (FPE)
  – Your first point of contact
  – Coordinator of all FEMP ESPC assistance for agencies

• FEMP Project Facilitators (PFs)
  – Hands-on project support

• DOE Golden Field Office – FEMP@ee.doe.gov
  – DOE-FEMP ESPC IDIQ contract administration

• National Lab subject matter experts

• Legal counsel

• Interagency policy and program improvement through Federal ESPC Steering Committee
ESPC ENABLE Overview

• ESPC ENABLE is an alternative energy performance contracting program:
  • Intended for smaller projects at federal facilities (underserved market)
    – Or where ENABLE presents the best or only option for the agency to fund a project
    – Is intended for Federal facilities with buildings under 200,000 square feet
    – Project size $200k - $5.5 million
    – No fixed minimum or maximum facility or $ size
  • Standardized and streamlined process to quickly award projects and realize savings using GSA Schedule 84, SIN 246-53
    – Templates, IGA tool
    – No preliminary assessment
  • Targets straightforward ECMs including lighting, water fixtures, basic HVAC controls, HVAC equipment replacement, and solar PV
  • On a pilot basis, FEMP is supporting agencies exploring a mix of ENABLE and non-ENABLE Sched. 84 ECMs upon request
  • Prescribes basic levels of measurement and verification (M&V) for each ECM – primarily Option A
ESPC ENABLE: Process Cycle

- **Phase 1**: Acquisition Planning (2-4 weeks)
- **Phase 2**: ESCO Selection (3-4 weeks)
- **Phase 3**: Investment Grade Audit and Award (2-4 months)
- **Phase 4**: Installation (8-16 weeks)
- **Phase 5**: Performance Period (+/-12 years)

- Projects awarded in about 6 months
- Energy/cost savings in 8-12 months
FEMP Assistance for ESPC ENABLE

FEMP Resources Available to Federal Customers

- Assistance to build an ENABLE program
- Tools and guidance to train, educate, and motivate
- Project management support to guide you through the ESPC ENABLE process
- Procurement subject matter experts to support project execution
- ESPC ENABLE webpage resources, including training

[http://energy.gov/eere/femp/espc-enable](http://energy.gov/eere/femp/espc-enable)
### Comparison of ESPCs, ESPC ENABLE, and UESCs

<table>
<thead>
<tr>
<th></th>
<th>Federal ESPCs</th>
<th>ESPC ENABLE</th>
<th>UESCs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private-sector partner</strong></td>
<td>ESCO</td>
<td>ESCOs on GSA Schedule 84 (SIN 246-53)</td>
<td>Serving utility company</td>
</tr>
<tr>
<td><strong>Contract type</strong></td>
<td>Task orders under DOE IDIQ or USACE IDIQ</td>
<td>GSA Schedule 84 (SIN 246-53)</td>
<td>GSA Area-wide contracts; Basic ordering agreements</td>
</tr>
<tr>
<td><strong>Eligible facilities</strong></td>
<td>Federally owned worldwide</td>
<td>Federally owned facilities worldwide</td>
<td>Where government pays utility bill; where offered/authorized</td>
</tr>
<tr>
<td><strong>Project size</strong></td>
<td>$2 million or larger</td>
<td>No fixed size or $ limits; suitable for smaller projects</td>
<td>Any</td>
</tr>
<tr>
<td><strong>ECMs</strong></td>
<td>Unlimited</td>
<td>Lighting, water, basic HVAC controls, HVAC equipment, and solar PV</td>
<td>Unlimited</td>
</tr>
<tr>
<td><strong>Operations &amp; maintenance</strong></td>
<td>ESCO responsible; tasking negotiable</td>
<td>Government or ESCO; ESCO provides training</td>
<td>Negotiable</td>
</tr>
<tr>
<td><strong>Savings guarantees / M&amp;V</strong></td>
<td>Required by law and contract</td>
<td>Required; simplified M&amp;V</td>
<td>Negotiable; performance assurance required for annual scoring</td>
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</tbody>
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**Notes:**
- **ESPCs** refer to Energy Savings Performance Contracts.
- **UESCs** refer to Utility Energy Service Contracts.
- **EDAID** refers to the Energy Department of America Improvement Act of 2005.
Energy savings performance contracts (ESPCs) allow federal agencies to procure energy savings and facility improvements with no up-front capital costs or special appropriations from

FEMP CONTACTS
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202-586-2076
See all ESPC contacts

PUBLICATIONS
Energy Savings Performance Contracts
Energy Savings Performance Contracts: FEMP Assistance
Energy Savings Performance Contracts: Frequently Asked Questions

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