

State Success Stories – Energy Savings Performance Contracting Programs

The Commonwealth of Massachusetts

committed to performance contracting in a big way in 1986 when the legislature authorized three different agencies to develop guidelines for their particular sectors of state government facilities, public housing and local governments.

- 1) The state's energy office, the Department of Energy Resources (DOER) has a broad role across all sectors, following its motto of "creating a greener energy future for the commonwealth." Under the Green Communities Program, DOER helps local governments implement performance contracting projects.
- 2) The Division of Capital Asset Management (DCAM) manages and oversees most state agency and higher education projects. The *E-Team* (Energy Efficiency and Sustainable Buildings Group) helps facilities achieve optimum levels of energy and water use and implement renewable energy projects.
- 3) The Department of Housing and Community Development oversees capital energy projects in public housing.

"Performance contracting is a very mature industry in Massachusetts and there is a lot of activity in all three sectors," said Eileen McHugh, Municipal Energy Programs Coordinator, DOER. Between the three oversight agencies, 65 performance contracting projects totaling \$458 million have been completed with many more getting underway. "The Commonwealth is always striving to be a leader in energy efficiency and renewable energy, continually looking for innovative ways to approach energy efficiency projects and financing and to apply innovative technologies to provide deeper savings," said Jenna Ide, Deputy Director of DCAM's E-Team.

See: <http://www.energyservicescoalition.org/espc/casestudies/Massachusetts.pdf> for full story.

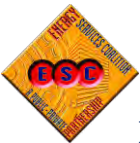
The State of Washington

was one of the first states, if not the first, to develop a program to use performance contracting in the state. Now in its 26th year (since 1984), it is a well-managed, well-respected, self-funded program, with a team of 13 technical assistance consultants and 14 pre-qualified ESCOs working with state agencies, higher education institutions, public schools and local governments. With 129 projects completed totaling over \$200 million, and with over \$90 million in avoided costs to date, it has the attention of the governor who believes energy efficiency is the way to meet an aggressive carbon reduction target - 15% below 2005 levels by 2020. The program also has the attention of the legislature which tasked the program to leverage state funds to jump-start projects and create jobs to stimulate the local economy.

The program started in the Department of General Administration (GA), Division of Engineering and Architectural Services, after an energy audit of state buildings revealed substantial retrofit opportunities and proposed performance contracting as a funding solution. The program continues under GA today with a broader scope that includes not only state agencies but schools and local governments. The Department of Commerce houses the Energy Policy Office which works closely with GA especially on schools and local government initiatives, while Washington State University delves into energy-related research. All three energy divisions coordinate and provide support to each other to advance energy efficiency in the state.

House Bill 5854 said: "The legislature finds that energy efficiency is the cheapest, quickest, and cleanest way to meet rising energy needs, confront climate change, and boost our economy. More than thirty percent of Washington's greenhouse gas emissions come from energy use in buildings. Making homes, businesses, and public institutions more energy efficient will save money, create good local jobs, enhance energy security, and reduce pollution that causes global warming."

See: <http://www.energyservicescoalition.org/espc/casestudies/Washington.pdf> for full story.



State Success Stories – Energy Savings Performance Contracting Programs

The State of Hawaii

has been leading the surge on performance contracting since the late 1980s, making waves in all levels of government throughout the islands. The Hawaii State Energy Office in the Department of Business, Economic Development and Tourism's (DBEDT) has generously provided long-time expert technical assistance to building managers of all state and local government sectors. Along with tools, resources and ongoing support, DBEDT has brought performance contracting from an unfamiliar practice to an institutionalized solution to meet energy, environmental and budget goals. Results keep rolling in – over \$102 million in projects in a university, two state agencies, two counties, a city/county and healthcare facilities, with another estimated \$15 million soon to get underway in a second-phase state agency contract, a likely \$35 million project now in negotiations with the state's public housing authority, and more state projects lining up.

“Government facilities have long faced rising energy prices and need to replace outdated equipment, but other funding priorities, such as health and safety, often leave energy efficiency retrofits unfunded. That's why DBEDT encouraged state and local governments to incorporate performance contracting as a way to finance their upgrades, and why we established guidelines for using this unfamiliar approach,” said Elizabeth Raman, DBEDT – Hawaii State Energy Office. “Buildings represent one of the largest energy efficiency opportunities and the State will continue to work with business and government agencies to encourage performance contracting opportunities,” said Theodore Peck, Energy Administrator, DBEDT - Hawaii State Energy Office. “Our goal is to build a clean energy future as part of the state's Hawaii Clean Energy Initiative.” Governor Lingle launched the Hawaii Clean Energy Initiative, in partnership with the U.S. Department of Energy, aiming for 70 percent of Hawaii's energy to come from clean sources by 2030 (40 percent from renewable energy and 30 percent through energy efficient measures).

See: <http://www.energyservicescoalition.org/espc/casestudies/Hawaii.pdf> for full story.

The State of Colorado

initiated an energy performance contracting program in 1988 that evolved into what is now a major part of the governor's New Energy Economy. Managed by the Governor's Energy Office (GEO), the Commercial and Public Buildings Program on Performance Contracting has demonstrated the effectiveness of ESC's recommended Best Practices, from strong legislative and gubernatorial support, to pre-qualified ESCOs with pre-approved contracts, to a successful public-private partnership with its ESC state chapter. Energy performance contracting has become recognized in Colorado as the best way to fund energy-saving improvements in buildings, modernize facilities, reduce the use of energy resources, and reduce the demand on the state's budget to operate public facilities.

The program has provided technical assistance to projects totaling over \$252 million in capital investment. Joel Asrael, GEO's Commercial Buildings Program Manager, said: “We have 181 projects in the program now, in stages from ESCO selection through monitoring and verification, and 13 ESCOs are pre-qualified to provide services.” Projects span the state and local government sectors including state agencies, higher education institutions, school districts, municipalities, counties and special districts. “We're proud of the program's success as it puts us on the path to reach the state's goal to cut energy use by 20% by 2020 and to 'lead by example' through our Greening Government program.”

See: <http://www.energyservicescoalition.org/espc/casestudies/Colorado.pdf> for full story.



State Success Stories – Energy Savings Performance Contracting Programs

The Commonwealth of Pennsylvania

turns energy challenges into innovative program approaches to advance performance contracting. The Department of General Services (DGS) Energy Management Office pro-actively oversees performance contracting projects for Commonwealth agencies and also consults on local government projects. Through the legislated Guaranteed Energy Savings Act (GESA) performance contracting program, DGS has developed sound procurement and contracting processes, come up with strategies to embrace new industry trends, designed new approaches for under-served customers, and met seemingly impossible goals with aggressive deadlines. "We're using performance contracts to establish long-term savings opportunities through more efficient buildings," said Bruce Stultz, Director of Energy Management, DGS.

DGS is linked with the state energy office (the Department of Environmental Protection) through the bridge office of the Governor's Green Government Council, essentially serving as the state energy office's arm for building-related program services. Performance contracting gained acceptance as a way to get projects going and capture deep energy savings. To date, DGS has 44 projects underway totaling \$449 million in facility upgrades and is working on local government projects as well. With a recent 20% hike in utility rates, the energy-saving measures are heading off a utility budget deficit.

See: <http://www.energyservicescoalition.org/espccasestudies/Pennsylvania.pdf> for full story.

The State of Utah

accelerated performance contracting activity from quite slow to racing speed in less than a year. There was not much happening in performance contracting in Utah - with the exception of an ongoing mega-project at the University of Utah which has added phase after phase since its early start in 1998 soon to grow to \$63.5 million. In 2006, the state administration made performance contracting a priority to reach aggressive goals laid down by the governor and the legislature for state facilities. "Once the state embraced performance contracting, it took off," said John Harrington who came on-board as the State Energy Manager with the Division of Facilities Construction and Management (DFCM), hired to apply his ESCO background to help gain acceptance for the use of performance contracting in state facilities. About \$57 million in projects are now getting underway in higher education institutions and state departments. Utah's State Energy Program looks to state facilities to lead by example so that local governments will follow and that strategy is proving it's effective. To date \$165 million in projects have been completed or are underway in state and local governments. Below are a number of challenges that faced the state and the effective program solutions that make Utah a success story in performance contracting.

See: <http://www.energyservicescoalition.org/espccasestudies/Utah.pdf> for full story.

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The **Energy Services Coalition** is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through energy savings performance contracting.

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