

USI and Performance Contracting Overview

Environmental Planning and Policy Committee

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Utility Savings Initiative Background

- Lead-by-example program for state agencies and universities begun 2002
 - Commission to Promote Government Efficiency and Savings on State Spending
 - Memorandum to Council of State
 - State Energy Office tapped to guide agencies and administer the program
- S.L. 2007-546
 - 20% by 2010 30% by 2015
- S.L. 2008-203
 - 30% New construction
 - 20% Major renovations

Utility Savings Initiative Programs

- **Utility Accounting**
- **Preliminary and detailed energy surveys**
- **Strategic Energy Planning**
- **Conservation Action Teams**
- **Energy Management Diploma Classes**
- **Technical workshops**
- **Performance Contracting**

Savings or Avoided Costs

Savings =

Avoided costs =

Terms and Acronyms

- Performance Contract
 - Guaranteed Energy Savings Agreement
- ESCO – **E**nergy **S**ervice **C**ompany
- RFP – **R**equest for **P**roposal
- IGA – **I**nterim **G**rade **A**udit
 - Detailed Energy Survey
- M&V – **M**onitoring and **V**erification
- ESA – **E**nergy **S**ervices **A**greement
- ECM – **E**nergy **C**onservation **M**easure

What is Performance Contracting

- An ESCO designs and proposes a package of energy cost reduction measures, installs or implements those cost reduction measures, and guarantees the savings of the cost reductions.
- The issuer pays for the package over time using the stream of revenue provided by the energy reduction measures
- **Third party monitoring and verification**

Why not do it yourself?

- Often opportunities to reduce energy costs are well known but owners are unable to take advantage of them
 - Capital
 - Expertise
 - Manpower
- Who guarantees the savings?

Performance Contracting Advantages

- A Design-Build process with a single point of responsibility
- Provides capital
- Provides engineering and project management expertise
- Guaranteed performance/savings

Performance Contracting Pitfalls

- Failure of owner to perform due diligence
- Failure to understand contract
- Overly optimistic expectations / promises
- Poor project specifications
 - RFP
 - IGA
 - M&V
- Time must be allocated to see process through

Assistance Available from SEO

- The State Energy Office will provide assistance during each step of the process
- All documents and steps must conform to General Statutes and LGC Application for Approval

Assistance Available from SEO

- Project Identification
- Standard RFP available
- Standard Investment Grade Audit Contract available
- Standard Energy Services Agreement available
- List of pre-qualified ESCOs

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Thank You for Attending



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