

# ESPC Market Potential and Market Development

NASEO  
Annual Conference  
San Antonio, TX  
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# Agenda

- Need for ESPC Growing
- ESCO Industry Can Meet the Need
- Job Creation Potential of ESPC
- Educating the New Leaders
- New Developments in M&V and Finance

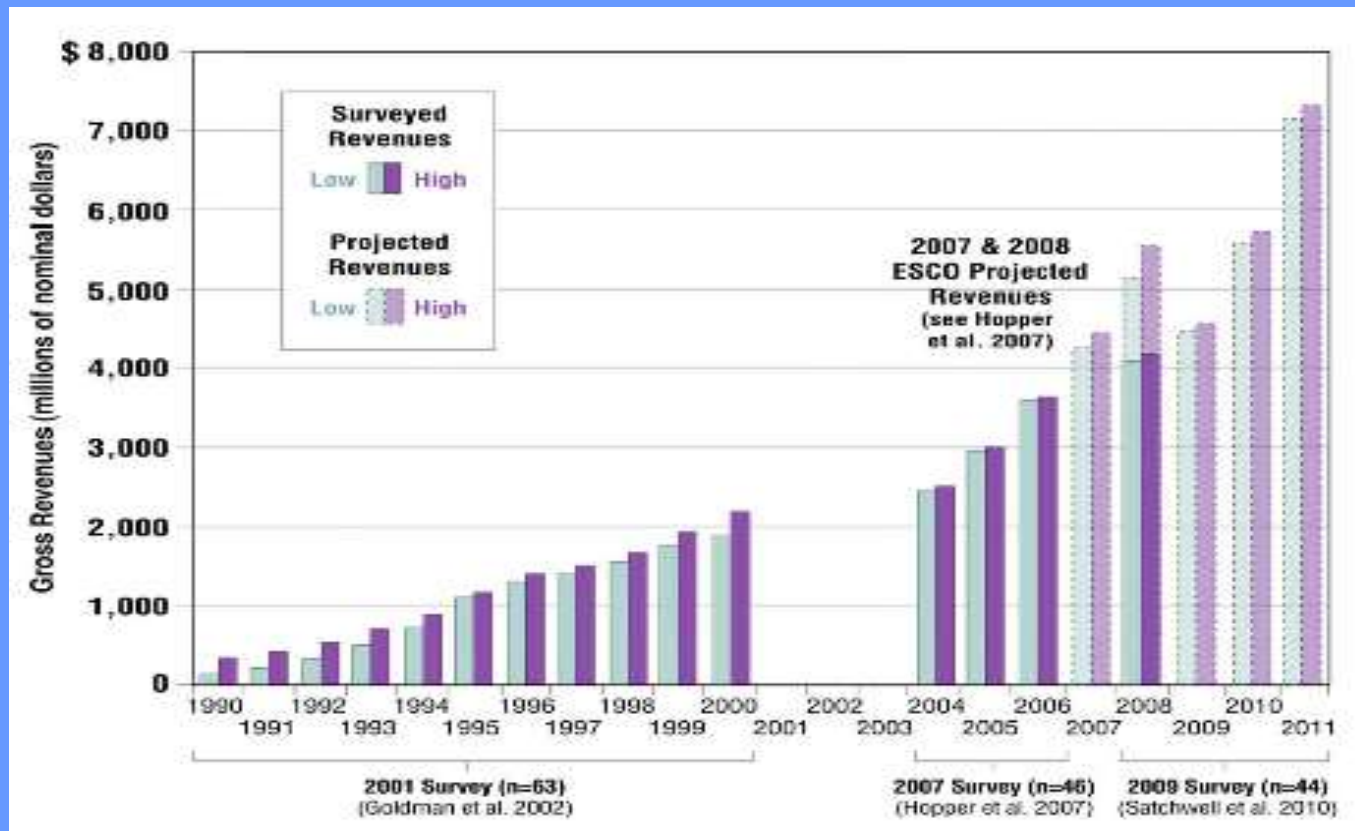


# Need for ESPC Growing

- States need new jobs
  - Recovery very slow
  - Construction industry in depression
- State and local facilities need improvements
  - \$270B of deferred capital improvement and maintenance in K-12 schools?
- States need sustainable EE programs



# ESCOs Can Help Meet the Need



# Where is ESPC Available?

- Every state and local government wastes large amounts of energy
  - Convert to payment stream for ESPC project
- Every state has engineers and construction trades ready to work
  - Don't need specialized training for C/I projects
- Every state has a competitive private finance industry with the required capital



# ESPC Job Creation Potential

- \$1M project  $\approx$  9.5 direct jobs
  - 2 jobs at the ESCO company
  - 4 jobs at local subcontractors
  - 3.5 jobs at equipment manufacturers
- \$1M project  $\approx$  12 indirect jobs
- \$1M project  $\approx$  21.5 jobs



# Example – Georgia ESPC Potential


[HELP](#)
[SAMPLE VALUES](#)

INVESTMENT OPPORTUNITY

Potential Annual Savings = Cash Flow Opportunity

All Facilities
Enter Category Name Here

Annual energy costs	\$220,000,000	Totals	\$220,000,000
Potential annual savings	\$55,000,000		\$55,000,000

What Can \$55,000,000 of Annual Savings Buy?

Reset

Assuming an interest rate of
Assuming a term of
Savings used to pay energy/retrofit investments
Additional funds such as rebates, etc. (if available)

4.75
15
90.0
\$0

%
Year(s)
%

Taken from operating funds, these savings could finance energy/retrofit projects equal to

\$530,320,200

without increasing today's capital and operating budgets.

Project Cost
Additional Funding Required
Contribution that your operating budget can make towards energy improvements
Simple Payback

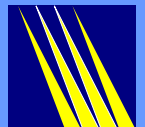
\$274,802,300
No additional funds required
\$3.928
9
8

/SF
Year(s)
Month(s)

Consider blending short- and long-term projects to maximize use of the savings.

[Important Notice](#)

US EPA, Cash Flow Opportunity Calculator,  
[http://www.energystar.gov/index.cfm?c=tools\\_resources.bus\\_energy\\_management\\_tools\\_resources](http://www.energystar.gov/index.cfm?c=tools_resources.bus_energy_management_tools_resources)



# Georgia Potential

- \$530M of ESPC projects
- 11,000 jobs
  - 5,000 direct jobs
  - 6,000 indirect jobs
- \$500M in state facility improvements
- All paid from savings, not from new taxes





# US Potential – State/Local Gov't

- \$51B in ESPC projects
- More than 1 million jobs
  - 485,000 direct jobs
  - 581,000 indirect jobs
- \$50B in public facility improvements
- All paid from savings – no new taxes



# Public Supports ESPC

- Washington -- \$500M program bond issue
  - EE in schools
  - Long history of EE programs
  - Voted down by substantial margin
- Georgia -- \$500M ESPC program
  - EE in state buildings
  - Modest history of EE programs
  - Approved by substantial margin

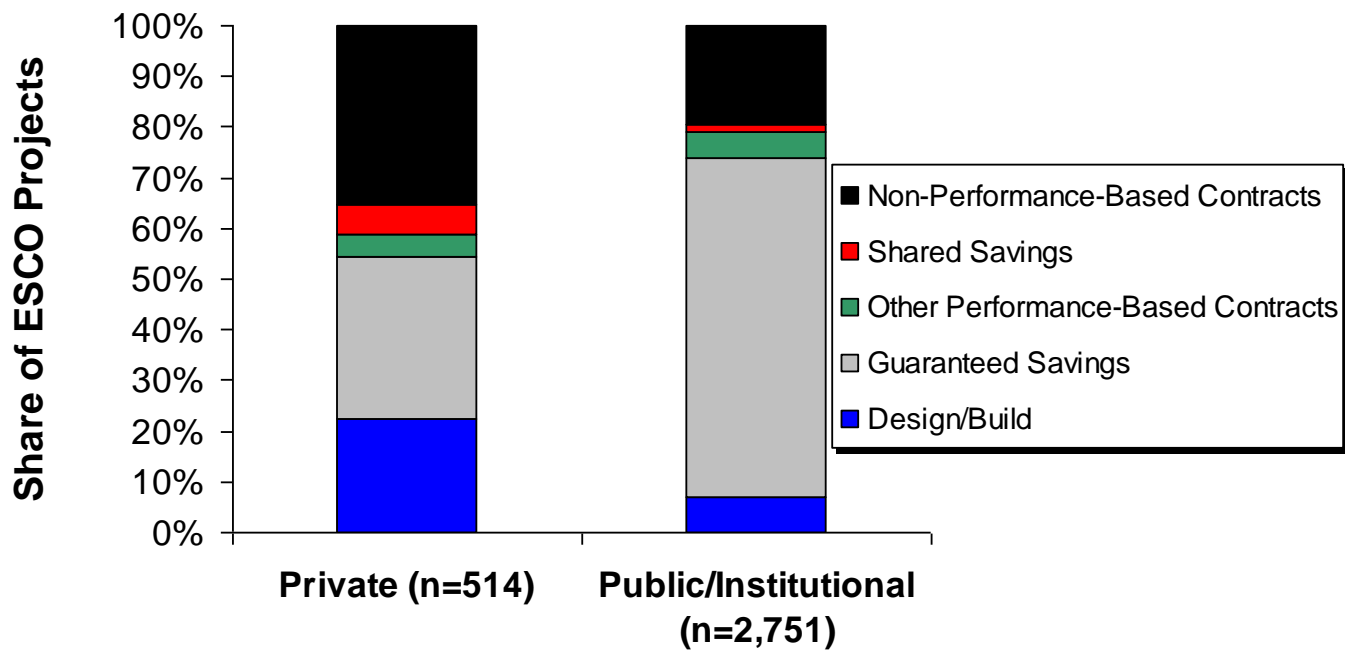


# Educate the New Leaders

- 29 new Governors
- Reorganized and re-staffed SEOs
- Are project savings real?
  - Pennsylvania
- Why use ESPC rather than traditional public contracting?
  - California and Maine



# New Developments in Financing



# New Developments in Financing

- Pending Federal Regulations
- FASB 13
  - End of operational leases?
- SEC Dodd-Frank Implementation
  - ESCOs as Municipal Financial Advisers?
  - Need knowledgeable parties to advise customers on the full range of available project financing



# New Developments in Financing

- Address accounting and regulatory issues
  - Liability on customer balance sheet
  - Limitations on ESCO role
- Shared savings models like federal ESPC
  - More expensive but less risk for customer
  - Liability held by a Special Purpose Entity
- Chauffage model
  - Financier owns the equipment
  - Customer pays agreed cost for contract term



# New Developments in M&V

- O&M and Avoided Capital Cost savings are a larger part of project economics
- Documentation of original calculations is not clear several years into the contract
- Develop standard methods for calculations and record-keeping – US DOE sponsoring
  - Add to IPMVP



# Resources Available

- NASEO Regional Coordinators
  - <http://www.naseo.org/members/regions/index.html>
- US DOE funds technical assistance for state and local ESPC programs
  - [http://www1.eere.energy.gov/wip/solutioncenter/technical\\_assistance.html](http://www1.eere.energy.gov/wip/solutioncenter/technical_assistance.html)
- Program management processes and documents available on ESC website
  - <http://www.energyservicescoalition.org/espc/tools/index.html>





# Questions?

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Donald Gilligan  
NAESCO  
978-740-8820  
[dgilligan@naesco.org](mailto:dgilligan@naesco.org)

