Funding Federal Energy and Water Projects

The U.S. Department of Energy (DOE) Federal Energy Management Program (FEMP) helps Federal agencies identify and obtain funding for energy efficiency, renewable energy, water conservation, and greenhouse gas (GHG) management projects.

Federal agencies cannot rely on Congressional appropriations alone to fund the energy projects needed to meet Federal requirements. Additional funding options are available, including:

- Energy savings performance contracts (ESPCs)
- Utility energy service contracts (UESCs)
- Power purchase agreements (PPAs)
- Energy incentive programs

Carefully matching available funding options with specific situations can make the difference between a stalled, unfunded project and a successful project generating energy and cost savings. This often means combining Congressional appropriations and project funding mechanisms.

ESPC Quick Facts

As of November 2012, 278 ESPC projects had been awarded by 25 agencies under the DOE indefinite-delivery, indefinite-quantity contracts. The total investment cost for these projects was $2.68 billion. These projects resulted in:

- Total cost savings of at least $7.1 billion.
- Total energy savings of 347 million MMBtu.

Energy Savings Performance Contracts

ESPCs allow Federal agencies to conduct energy projects with no up-front capital costs, minimizing the need for Congressional appropriations.

An ESPC is a partnership between a Federal agency and an energy service company (ESCO). The ESCO conducts a comprehensive energy audit for the Federal facility and identifies improvements to save energy. In consultation with the Federal agency, the ESCO designs and constructs a project that meets the agency's needs and arranges the necessary funding. The ESCO guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. After the contract ends, all additional cost savings accrue to the agency. Contract terms of up to 25 years are allowed.

DOE indefinite-delivery, indefinite-quantity (IDIQ) ESPCs were awarded to 16 ESCOs. Each contract has a $5 billion ceiling,

A PPA-funded 1.6 MW photovoltaic installation on the Research Support Facility at the National Renewable Energy Laboratory. *Photo credit Dennis Schroeder, NREL/PIX 18482.*

resulting in a potential of up to $80 billion for energy efficiency, renewable energy, water conservation, and GHG projects at Federally owned buildings and facilities. DOE awarded these umbrella contracts to ESCOs based on their ability to serve Federal agencies under terms and conditions outlined in the IDIQ solicitation. Agencies can use these ESPCs to improve Federal facilities worldwide.

Contact Kurmit Rockwell at 202-586-2078 or *kurmit.rockwell@ee.doe.gov* for additional information, or visit *www.femp.energy.gov/financing/espcs.html*.

Energy Savings Performance Contracts ENABLE

ESPC ENABLE is a new pilot program that streamlines and standardizes the ESPC procurement process allowing Federal agencies to quickly award projects with basic energy conservation measures (ECMs). Like the traditional ESPC IDIQ program, ESPC ENABLE projects are privately-financed performance contracts that require no up-front capital from Federal agencies. Unlike the IDIQ however, ENABLE is procured via GSA Schedule 84, SIN 246-53.

To address gaps in the Federal energy performance contracting market, FEMP developed ESPC ENABLE to compliment its ESPC and UESC offerings. ENABLE currently only supports three ECM categories: lighting, water, and basic HVAC controls. The new vehicle is primarily focused on smaller sites and facilities, traditionally an underserved market, or facilities where ENABLE presents the best or only option to fund an energy-efficiency project.

FEMP has produced a number of tools and templates that assist agencies in moving through the procurement process and awarding task orders in as little as nine to twelve weeks. These tools include an investment grade audit (IGA) tool that ESCOs use to evaluate savings measures at the site or facility, procurement document templates that reduce the amount of work required by agency contracting officers, and prescribed guidance for project acceptance, commissioning, and measurement and verification.

Contact Chip Goyette at 202-586-9209 or *Chip.Goyette@ee.doe.gov* for additional information, or visit *www.femp.energy.gov/financing/espc_enable.html*.

UESC Quick Facts

Since 1994, more than 1,760 UESC projects have been awarded. These projects:

- Are worth approximately $2.6 billion.
- Performed infrastructure and equipment upgrades to reduce Federal energy and water consumption.
- Saved more than 21 trillion Btu.

Utility Energy Service Contracts

UESCs allow Federal agencies to enter into contracts with their serving utilities to implement energy and water related improvements at their facilities. Agencies may fund the project with appropriations, or the utility may arrange financing to cover the capital cost of the project, which is repaid over the contract term from cost savings generated by the energy and water efficiency measures. A combination of financing and direct appropriations may also be used. The benefits of UESCs are the ability to implement energy projects with no initial capital investments, minimal net costs, and savings in time and resources. Performance guarantees are an option that can add additional value to a UESC project.

A growing number of investor-owned, rural cooperative and municipal utilities actively offer UESCs and other utility incentives to Federal customers. As the serving utility is recognized as an established source, UESCs can be used by agencies to implement projects without the need for full and open competition. Projects of all sizes can be installed using existing U.S. General Services Administration (GSA) areawide contracts.

The Federal Utility Partnership Working Group (FUPWG) assists with UESC and other utility partnerships. The group gathers Federal agencies with utilities and ESCOs to discuss utility partnership possibilities and processes.

Contact David McAndrew at 202-586-7722 or *david.mcandrew@ee.doe.gov* for additional information, or visit *www.femp.energy.gov/financing/uescs.html*.

Power Purchase Agreements

On-site renewable PPAs allow Federal agencies to host on-site renewable energy projects with no upfront capital costs. A developer installs a renewable energy system on agency property under an agreement that the agency will purchase the power generated by the system. The developer recovers the cost of the system through these power purchase payments over the life of the contract. The developer constructs owns, operates, and maintains the system for the life of the contract. The PPA price is determined through a competitive procurement process.

Contact Tracy Logan at 202-586-9973 or *tracy.logan@ee.doe.gov* for additional information, or visit *www.femp.energy.gov/financing/power_purchase_agreements.html*.

Energy Incentive Program Quick Facts

In 2012, more than $8 billion was budgeted for energy efficiency and load management incentive and rebate programs in the United States. Energy efficiency program budgets totaled more than $6.6 billion (with nearly $3 billion for the commercial/industrial sector) and more than $1.2 billion was slated for load management programs.

Energy Incentive Programs

No matter which contracting vehicle agencies choose, FEMP encourages energy managers to use energy incentive programs offered by many local utility companies. These services are offered at low or no cost to the agency and are generally funded by fees included in utility rates.

Demand response and load management programs are one form of incentive offering. In these programs, utility companies or regional transmission operators (like PJM or ISO-NE) provide rate incentives and/or cash payments in exchange for curtailing energy demand during peak usage periods to increase system reliability and reduce the need for constructing new generation facilities.

FEMP outlines energy incentive programs available to Federal agencies on a state-by-state basis at *www.femp.energy.gov/financing/energyincentiveprograms.html*. Contact David McAndrew at 202-586-7722 or *david.mcandrew@ee.doe.gov* for additional information.

Getting Started

FEMP provides services and training to help Federal agencies identify and obtain project funding for energy efficiency, renewable energy, water conservation, and GHG management projects. Contact a Federal Financing Specialist to get started.

A list of Federal Financing Specialists by geographic area is available at *www.femp.energy.gov/financing/espcs_financingspecialists.html*.

U.S. DEPARTMENT OF ENERGY

Energy Efficiency & Renewable Energy

For more information, visit:
femp.energy.gov/training

DOE/EE-0943 • July 2013

Printed with a renewable-source ink on paper containing at least 50% wastepaper, including 10% post consumer waste.

FEMP Federal Energy Management Program

The U.S. Department of Energy Federal Energy Management Program (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.