

Energy Savings Performance Contracting – ESPC

Energy Savings Performance Contracting is not new to local government and is presently being utilized by both the City of Missoula and Missoula County. We include this here for those unfamiliar with a highly successful and commonly used option for local government, large institutions like Universities, and large businesses.

ESPCs are an alternative financing mechanism designed to accelerate investment in cost effective measures in existing buildings, allowing local government to accomplish energy savings projects without up-front capital costs. Local government contracts with an Energy Service Provider (ESP) who then conducts a comprehensive energy audit for one or more facilities, identifying cost effective energy saving measures. The ESP designs and constructs a project that meets the agency's needs, arranges the necessary financing, and 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. The savings must be guaranteed and government agency may enter into a multiyear contract for a period not to exceed a set number of years.

CYCLE OF COST SAVINGS AND PAYMENTS

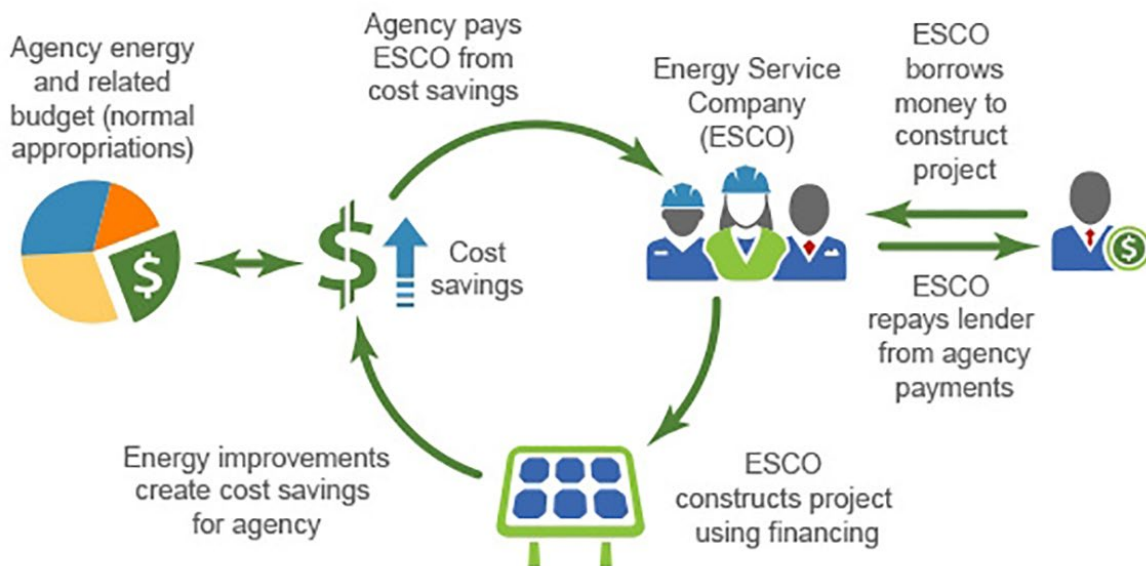


Figure 2. How ESCOs work via the Dept. of Energy

According to website of the State of Montana Department of Environmental Quality (MTDEQ), all “EPC projects must be done using a qualified Energy Service Provider (ESP) whose qualifications have been vetted by the State; this helps ensure the ESP maintains a high standard of technical expertise and has sufficient financial resources to guarantee cost savings for project financing.”

In Montana solar is considered in the suite of energy savings options provided by Energy Service Providers, and at present costs and payback can be a good value. According to Montana state statute, the suite of energy service products needs to aggregate and provide estimated payback less than 20

years, and this allows ESPC's to combine renewable energy projects with lighting upgrades, window treatments, insulation or other measures, all with varying payback periods (with the sum < 20 years).

Importantly, it is considered a Best Practice and we recommend agencies or entities secure a design and process whereby money saved is tracked and the amount of funds saved is placed back into further energy savings or clean energy options to propel this work forward.

We provide additional resources for ESPC .