

## Energy Savings Performance Contracts (ESPCs)

The Air Force uses ESPCs to fund energy conservation projects with no up-front cost to the taxpayers. ESPCs are contracts which provide energy-efficient improvements financed with third-party funds, typically have performance periods of 10 to 20 years (max of 25), and come with complex financial terms. They are executed through an Energy Service Company (ESCO) that acquires financing for the infrastructure or equipment system modifications to reduce Air Force energy costs/consumption. ESCOs recover investment costs plus overhead and profit from funds made available via lower utility and operation & maintenance costs.



The Air Force anticipates entering into contracts valued around \$180M during FY13/14. An additional \$400M worth of potential ESPC and Utility Energy Service Contract projects have been identified for evaluation.

In August 2012, the Air Force awarded a \$91 million ESPC to improve energy efficiencies in 70 buildings and decentralize three heat plants at Tinker AFB, Okla.

The Air Force Civil Engineer Center is currently evaluating contracts that include:

- A facility lighting improvement project at Lackland AFB. Expected savings are 14,000 MBTUs/year.
- Two projects at Hill AFB that incorporate process energy savings in addition to facility energy savings.

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## Energy Savings Performance Contracts

# ESPC

A tool to meet Air Force energy reduction goals





Hill AFB, UT

## ESPC Policy

In October 2010, the Air Force Civil Engineer, Maj. Gen. Timothy Byers, issued a new policy requiring the Air Force Civil Engineer Center, Tyndall AFB, Fla., to centrally manage Energy Savings Performance Contracts (ESPCs) with a focus on facility energy and water conservation initiatives. This A7C policy requires installations to submit all proposed ESPC projects to AFCEC (through their MAJCOMs) for initial vetting prior to formal engagement with an ESCO. The policy also establishes AFCEC as the approval authority at key points in the project development and evaluation process. ESCOs are encouraged to introduce and market their firm's capabilities to Air Force installations, major commands and AFCEC.

Engineering Technical Letter (ETL) 11-24, Energy Savings Performance Contracts, provides guidance for initiating ESPCs, preferred contracting vehicles, important elements to include, and measurement and verification strategies. An installation that complies with this ETL can accomplish an ESPC with assurance that the energy savings will be realistically measured and validated.

The Energy Independence and Security Act of 2007 mandates all federal agencies reduce energy consumption by three percent per fiscal year through 2015. One of the key tools available to the Air Force to meet this aggressive goal is an ESPC.

In the absence of appropriated funding, or if a project crosses lines of funding (medical, IT, working capital, etc.), ESPCs might be the right choice. In these cases, the Air Force prefers the Department of Energy's "multiple award" contract. It is an indefinite delivery/ indefinite quantity (IDIQ) contract with 16 preapproved ESCOs.



F.E. Warren AFB, WY

The Air Force can use ESPCs for all Air Force-owned buildings, or leased buildings where it pays the utility bill. The Air Force will also consider ESPCs to replace inefficient energy- or water-consuming equipment or processes within buildings, including, but not limited to, computer equipment within data centers, medical equipment, industrial process equipment, or RTD&E equipment.

## ESPC Process

- ✓ Gov't team develops project scope
  - Contracting officer (CO) sends Notice of Opportunity (NoO) to all 16 ESCOs on Department of Energy ESPC IDIQ contract
  - Interested ESCOs conduct site visit and develop Preliminary Assessment (PA)
- ✓ Gov't team evaluates PAs in accordance with selection criteria and down selects to one ESCO to conduct an Investment Grade Audit (IGA)
  - ESCO conducts IGA
  - Gov't team reviews IGA at 30% / 60% / 90% stages and provides comments
  - ESCO delivers 100% proposal to Gov't team
  - Gov't team reviews, comments and CO negotiates with ESCO
- ✓ CO awards task order
  - ✓ = AFCEC approval point

**AFCEC is aggressively applying ESPCs to large energy-saving projects such as heat plant decentralizations, which can decrease an installation's energy intensity by as much as 20 percent. But, these projects can cost between \$20M and \$60M, typically too much for Air Force energy focus funds, driving the use of third-party financing through ESPCs.**