



U.S. Department of Energy
Energy Efficiency and Renewable Energy

federal energy management program

Utility Energy Service Contracts Why Is Interest Increasing?

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Presentation Overview

- UESC Basics
- Energy Efficiency Trends in utility Industry
- Why UESC?
- FEMP's Utility Program Activities



What is a UESC

UESCs are contracts between a Federal agency and the **local serving utility** to provide comprehensive energy and water infrastructure improvements

Conservation Measures must:

1. produce a measurable reduction in energy or water use or demand, or
2. be directly related to the use of energy or water
3. the preponderance of work must be for items 1 or 2 and,
4. the measure must be an improvement to real property

(From GSA Guidance)



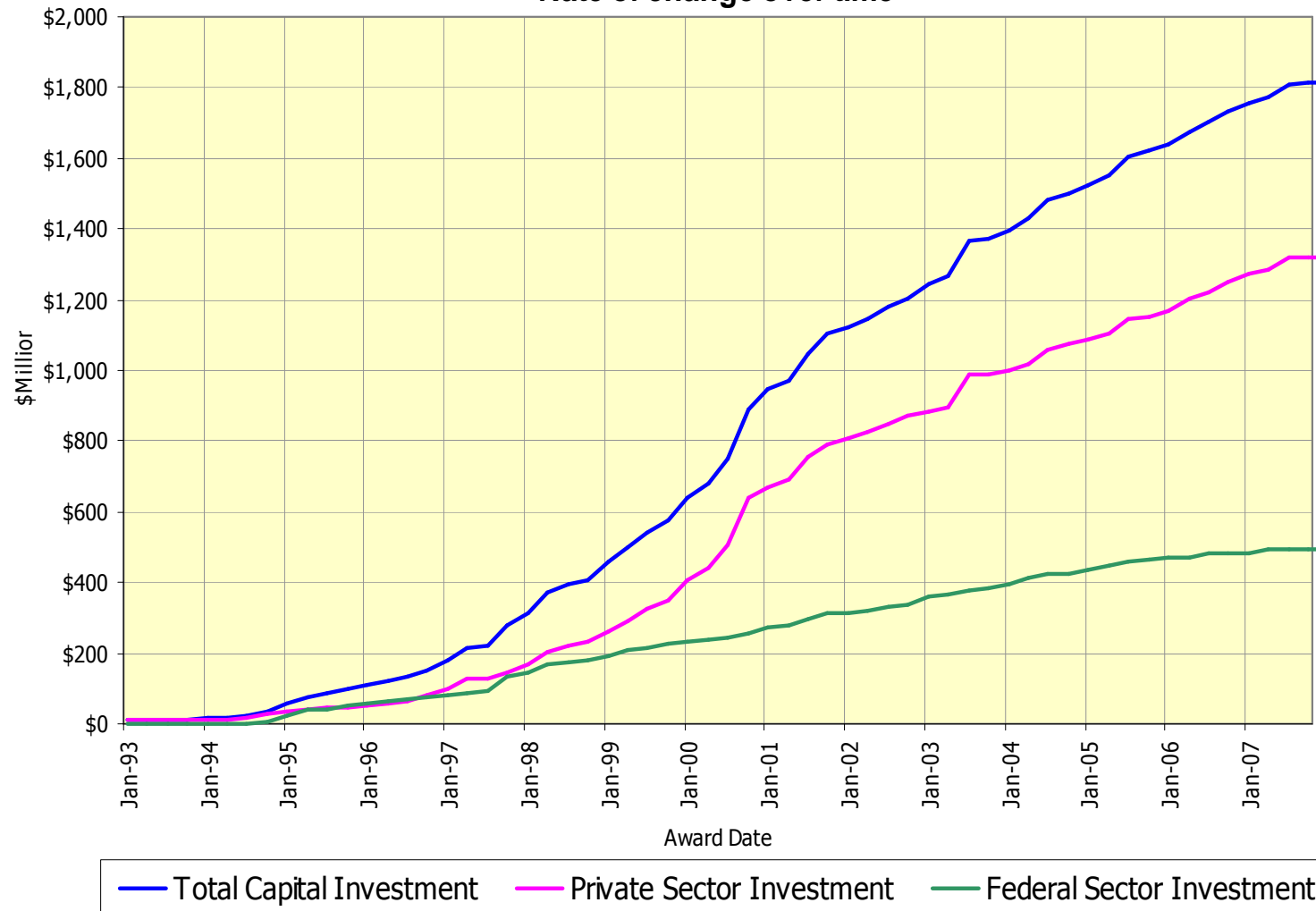
UESC Basics

- Authority to Enter into UESC comes from
 - 42 USC 8256 for civilian agencies
 - 10 USC 2913 for Dept. of Defense
- Approximately 40 individual utilities have offered UESCs to Federal agencies
 - Electric and GAS
 - IOUs
 - Cooperatives
 - Municipal
- The number of utilities offering UESC is growing
- UESCs may use appropriations, private sector financing, utility incentives or any combination



UEESC Basics

UEESC Project Total Capital Investment
Rate of change over time



Notes:

Investment is based on projects' capital cost.

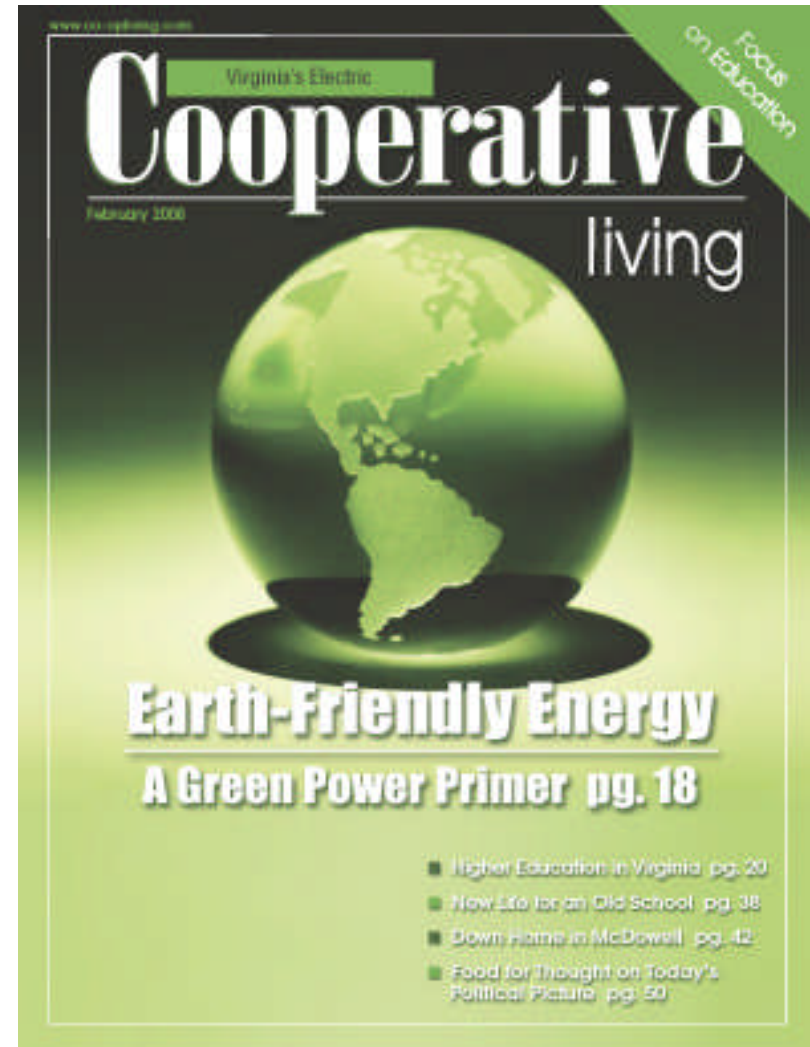
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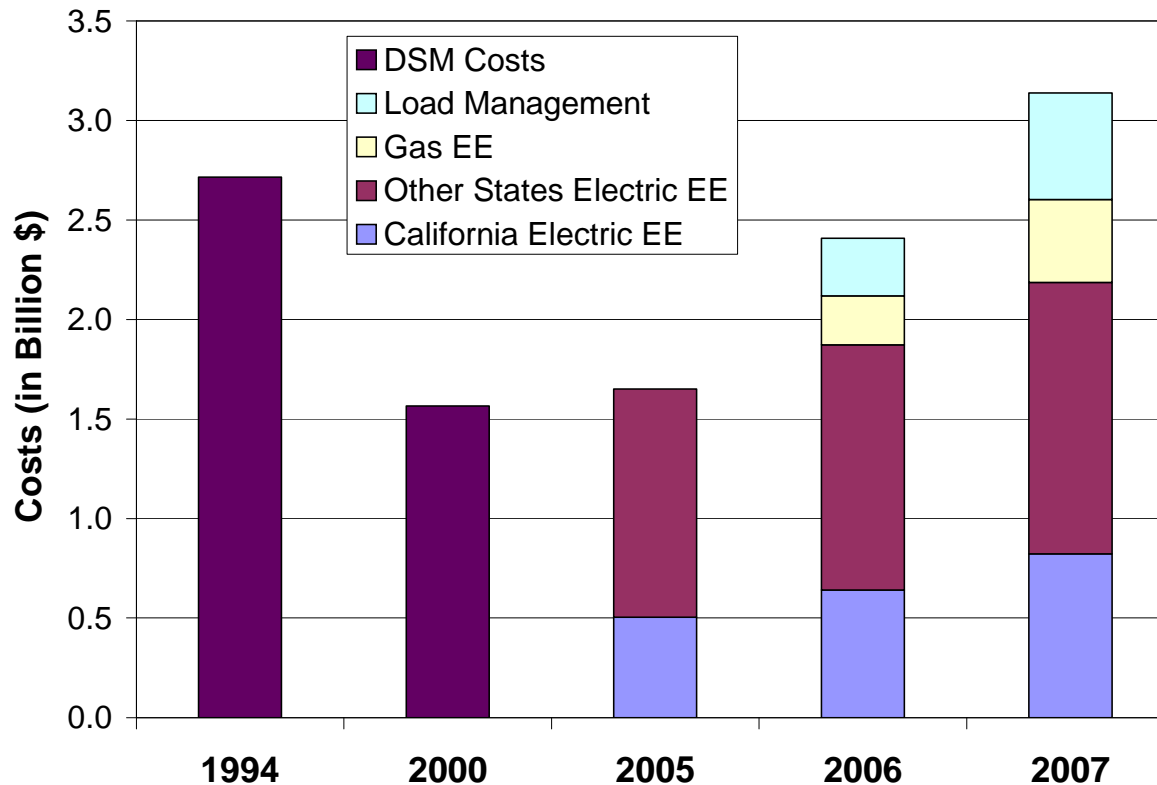
Utility Industry Trends

- Economics and politics of EE look increasingly attractive
 - Being green is in
 - High prices have gotten industry's attention
 - EE as is often a requisite for capacity additions
 - I have seen evidence first hand.





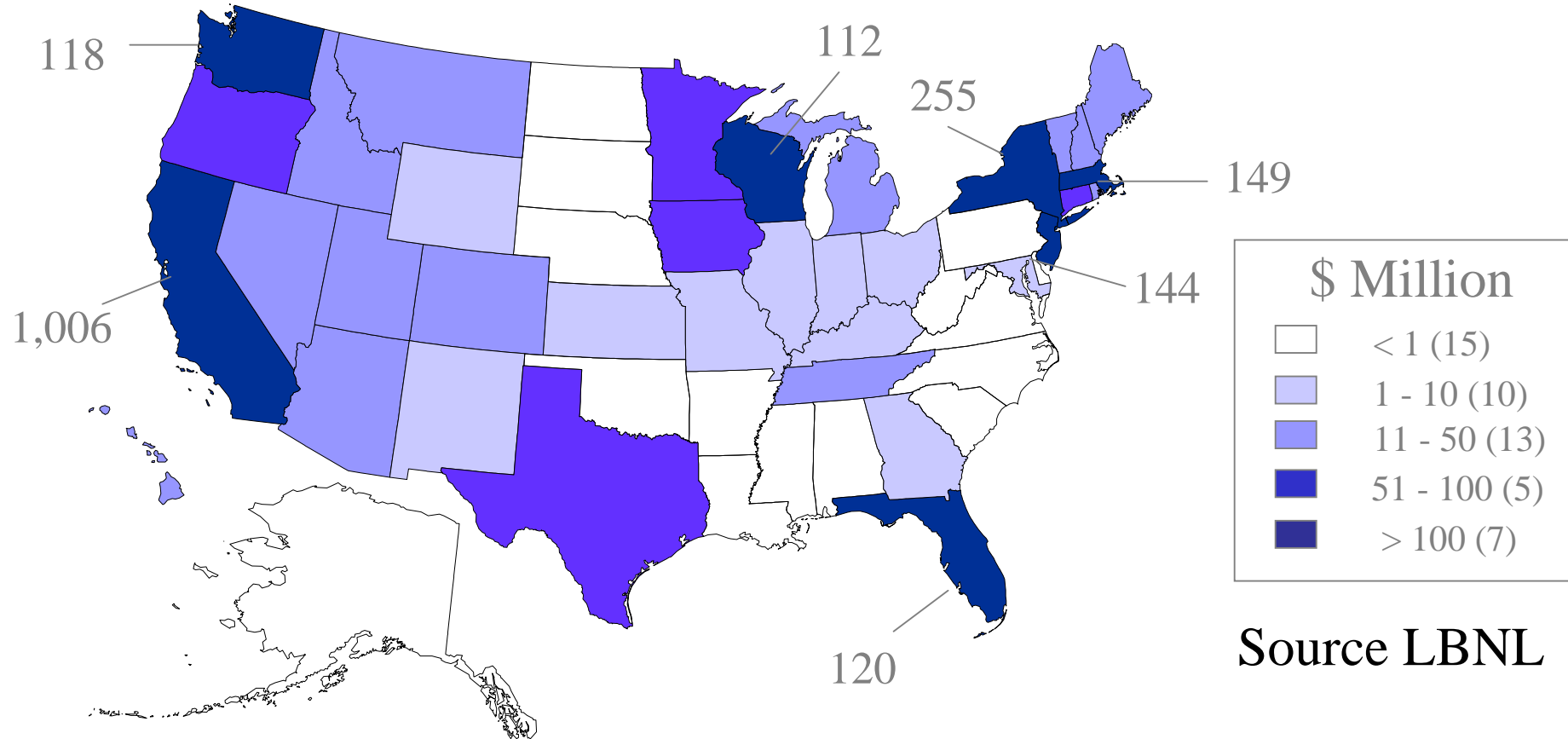
Increases in EE Spending



- 2007 Utility EE/Load Mgmt spending is ~\$3.1B (\$2.6B for Energy Efficiency)
- CA utilities account for ~39% of total spending
- Expect significant increases as other states and regions ramp up



EE Spending: Utility Sector



- 35 state PUCs have directed utilities and/or public benefit administrators to invest in energy efficiency
- U.S. Electric and Gas utility spending on energy efficiency was ~\$2.6B in 2007



Why UESCs

- Many utilities are “new” to EE or are struggling to meet goals
 - Regulators want to see quick results
 - Still trying to develop programs that work
 - Need motivated customers and partners to help them establish programs
 - UESCs are plug and play
- Federal customers are an “easy” win
 - Often represent a large customer segment
 - Have aggressive EERE goals
 - Have an established contracting vehicle
 - Areawide contracts
 - Model agreements
 - Can get help from ESCOs and FEMP



Why UESCs

- Seen as a way to grow beyond core business in an area favored by regulators and customers
- Federal customers often approached utilities asking them to offer UESC
 - Provides service to key customer group
 - Utility rebates may only cover part of project cost
 - Federal customers also need financing to complete projects
 - UESC model can be exported to other segments
 - Universities, State and local Governments etc.



Why Work With Utility

- Known entity with an established relationship
- Utility often already has knowledge of facility
- Flexibility in scope and size, smaller projects feasible
- Flexible (a la cart) contracting can be customized to the needs of customer
- Some utilities have very low cost financing
- It's an established source
- "Free Services" get them hooked

Customer has had a bad ESPC experience



Typical No Cost Utility Services

- Facility audits
- Equipment rebates and Incentives
- Rate analysis
- Load management demand response assistance
- Energy efficient design assistance or review
- Commissioning
- Advanced billing meters
- Web access to utility account data
- Power quality and reliability assistance



Why not UESC

- Utility does not offer UESC
- Utility/agency may be new to this type of contracting
- Decentralized contracting and inexperienced staff
- Agency's relationship with utility may be bad

Facility has a successful long term relationship
with ESCO



Utility Program Objectives

- Increase UESC project investments
- Increase the number of utilities engaging in UESCs with their Federal customers
- Increase the number of Federal customers implementing UESCs
- Increase Federal participation in EERE, rebate and demand response programs
 - Financed is good, free is better?
 - We are not getting our fair share
 - What ever you do, don't send me a check!



Strategic Action Plan Focus Areas

- Partnership Building
- Direct Assistance
 - Training
- Marketing and Communication
- UEESC Data Collection and Analysis



Partnership Activities

- FUPWG
- EEI
 - EEI has rejoined FUPWG
 - FEMP presenting at National Accounts Meeting
- Energy Solutions Center
 - Distributed Generation Workshops
 - FEMP presented at member meeting
- NRECA
- Cooperative Finance Corporation
 - NPS
 - BIA



Direct Assistance

- Outreach and education to new utility partners
 - Atmos Energy
 - PG&E
 - Westar Energy
- Strategic Partnering Meetings
 - Meeting to discuss full range of services
- Customer support for existing utility partners
 - Progress Energy
 - Florida Power and Light
 - Virginia Natural Gas
- Direct support to Federal agency sites
 - Too numerous to mention!



- FEMP Focus Newsletter
- Case studies
- Resource document notebooks
- Revised Enabling Documents
- New UESC video
- Updated Utility web site
 - http://www1.eere.energy.gov/femp/financing/ue_scs.html
 - Now includes utility-specific info





Data Collection

- Data collection is voluntary and contracting is decentralized
- Getting project data is critical to understanding UESC vehicle
- Revising data collection process for ease and standardization
- Addressing concerns regarding confidentiality
- Would like to use the data collection to help agencies meet reporting requirements (carrot approach)



Upcoming Events

- Upcoming Training
 - UESC workshop Dallas, TX hosted by Atmos Energy April 29-30
 - UESC workshop June 11-12 Washington, DC Hosted by PEPCO
 - FEMP Webinars
- Spring Federal Utility Partnership Working Group (FUPWG) hosted by Gulf Power
 - Destin, FL April 15-16
 - http://www1.eere.energy.gov/femp/financing/uescs_fupwg_meetings.html
- GovEnergy Phoenix AZ, August 3-6
 - The premier federal facility workshop and exposition
 - Sponsored by DOE, DOD, GSA, VA and many more!

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Questions?

