

Evaluating Market Opportunities for Performance Contracting in Iowa

NAESCO

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Crowne Plaza Chicago O'Hare

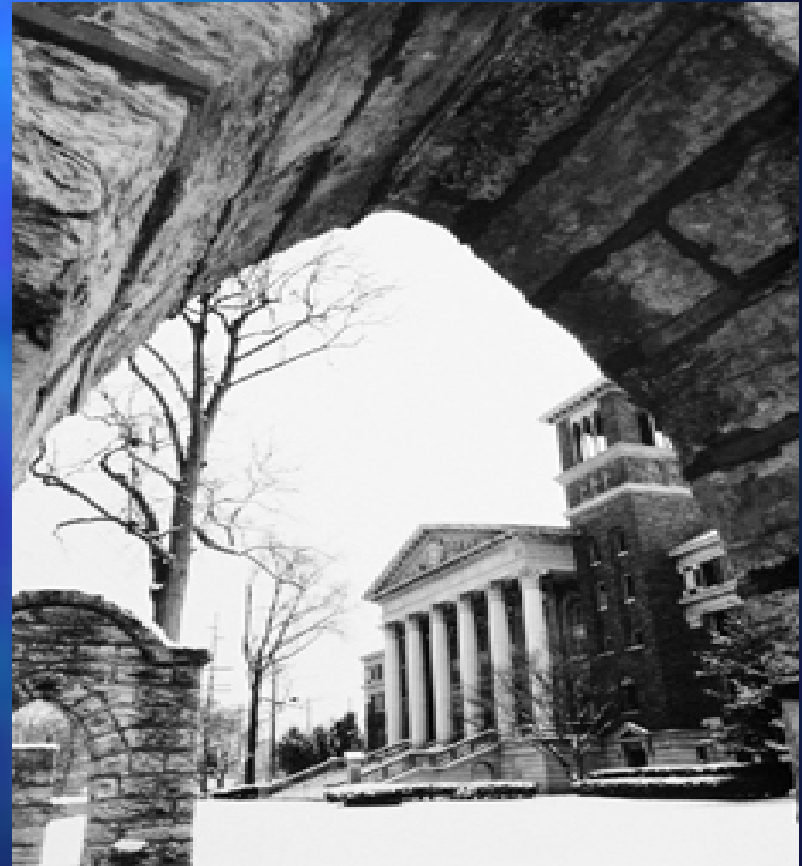
Marketing Energy Efficiency in Iowa

Past performance from 1988 to 2004 ?

- Implemented in state-owned facilities
\$51.5 million
- Implemented in other public facilities
\$150 million

What is the history?

- 1989 - The State of Iowa Facilities Improvement Corporation
 - \$14 million performance contract
 - State agencies
 - Proved it worked
 - Continuing today



SIFIC

- Provides project identification & analysis
- Financing arrangements
- Construction management
- Commissioning of Energy Management Improvements
- Monitoring of Energy Savings

Iowa Energy Bank Program



- Iowa Energy Bank Program, 1986
 - serves schools, hospitals, local governments & private colleges
 - law allows financing beyond the current budget year

Energy Bank Process in IA

- Walk Through Assessment- help facility identify potential
- Facilitate RFP and contract process
- Help facilitate low interest financing
- State Energy Engineers review studies for accuracy and technical integrity

Executive Order 41

- All state agencies identify and implement energy efficiency measures that reduce consumption by 15% by 2010 from 2000 levels
- All agencies purchase lowest life cycle cost equipment
- 10% of electric consumption of state buildings need to come from alternative energy sources

Skyrocketing Energy Costs



- \$8.73 billion in 2004 to \$11.13 billion in 2006 for Iowa
- Phenomenal opportunity for encouraging conservation, energy efficiency, and renewable energy.

Performance Contracting

- A “paid from savings” service that incorporates the evaluation, installation, and financing of energy efficient equipment. The energy savings are guaranteed to a customer. A customer repays the EE improvement out of energy savings. Once repaid the customer keeps all future savings & is entitled to ownership upon completion of the contract.

Performance Contracting in Iowa

- Iowa law does not prohibit public facilities from using performance contracts
- Major hurdle solved with financing laws that allow schools to pay for energy improvements beyond current budget year



Iowa Public Entities



- Projects over \$25,000
 - Competitive Bidding
 - May involve public hearing

The Energy Section of the DNR

- Goal is to install cost effective improvements in all taxpayer supported facilities
- Rising energy costs will cost the state \$135 million this fiscal year



Sioux City Performance Contracting Pilot Project 2003

- RFQ issued, 4 qualified proposals, one out of state ESCO selected
- TEA produced, reviewed by DNR engineers
- ESCO & Sioux CSD unable to agree on final contract



Des Moines Register 9/14/2005

- Under threat of a lawsuit from a Master Builders of Iowa (statewide contractors association), Waterloo voids \$361,000 contract with a ESCO to change mechanical controls in convention center for EE savings.
- Group argued that Waterloo failed to seek competitive bids on the work.

Governor Vilsack recently stated

“I may propose legislation enabling government to use energy performance contracts to turn around the flow of energy dollars, lower government agencies' fuel costs and tap the state's potential as a renewable fuels producer.

Vilsack continues

“Simply put, energy performance contracts are financing or operating leases provided by a utility or equipment manufacturer who guarantees the savings. It also allows government agencies to apply the cost savings toward paying for the improvements.”

The Kansas Model

- Facility Conservation Improvement Program (FCIP)
- Enables public agencies easy access to energy savings performance contracting
- KSA 75-37,125 Authorizes the FCIP to provide support and resources for a partnership between a public agency and ESCO

Three Steps in FCIP

- Preliminary Audit
- Investment Grade Audit
- Energy Performance Contract

The bottom line

- There is more work in Iowa than any one organization can do
- Most of the work is in medium to small facilities
- Legislation exists to make performance contracting work
- Like any other energy efficiency project, it is never easy

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