

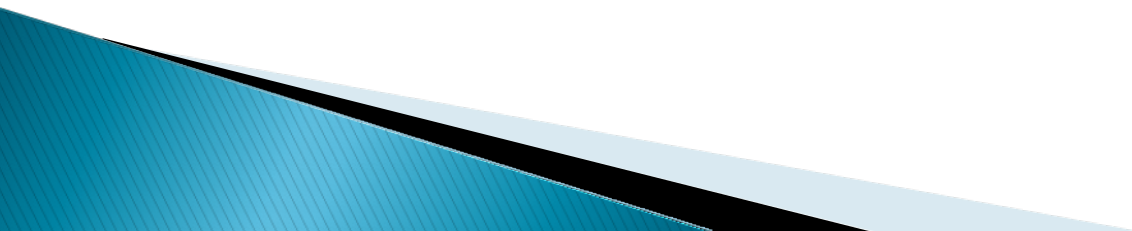


# Outreach Program on Energy Savings Performance Contracting

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Christina Simeone, Director  
PennFuture Energy Center

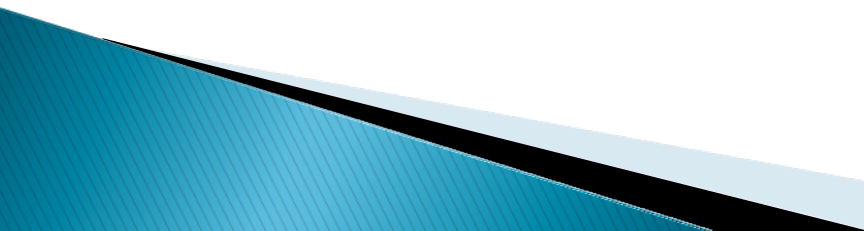
# Overview

- ▶ Introduction to PF and General Proposal
  - ▶ Potential Reasons to be Interested
  - ▶ Why is this New Program is Needed
  - ▶ Overview of Proposal
  - ▶ Funding & Next Steps
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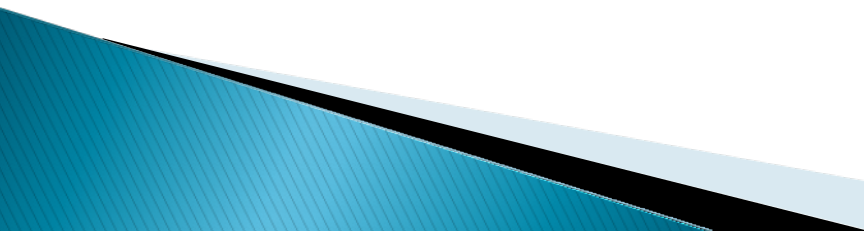
# Introduction



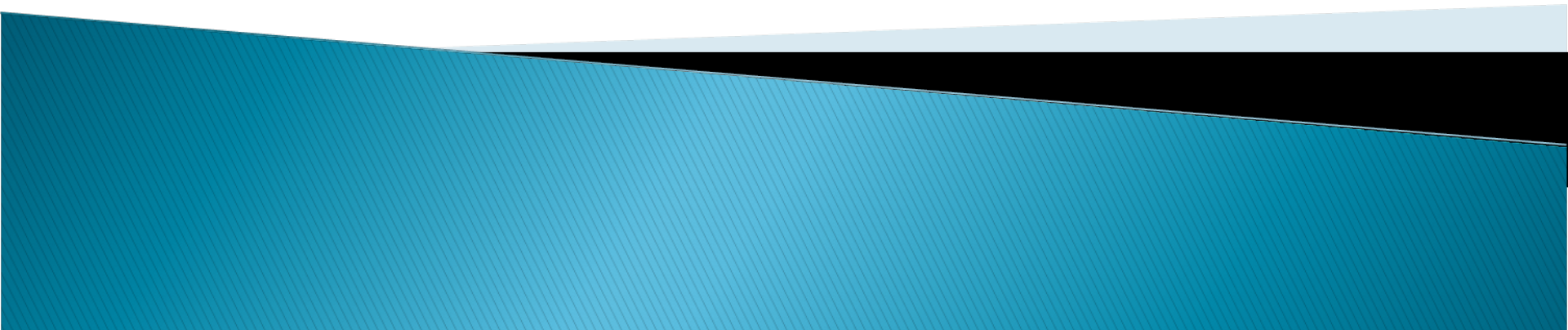
# About

- ▶ **PennFuture:** Non-profit environmental organization working to create a just future where nature, communities and the economy thrive.
    - We enforce environmental laws and advocate for the transformation of public policy, public opinion and the marketplace to restore and protect the environment and safeguard public health.
  - ▶ **Energy Center for Enterprise and the Environment:** Championing Pennsylvania's transition to a clean energy economy.
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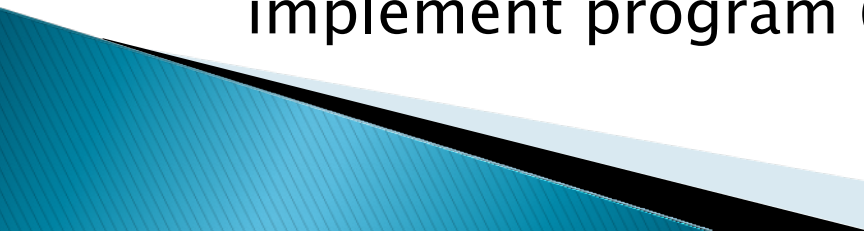
# General Proposal

- ▶ Develop a statewide education and outreach program aimed at facilitating increased participation in high quality ESPC.
  - ▶ Work collaboratively to establish process, curriculum, messaging, responsibilities, etc.
  - ▶ Additional Outcomes:
    - Develop a new model of collaboration that can be taken to other states.
    - Investigate pilot projects in new market activities – fuels, agriculture, other?
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# Potential Reasons to be Interested



# Why is PennFuture Interested in ESPC?

- ▶ Clean Energy Mission
  - ▶ GESA Program Changes
  - ▶ Funder interest in promoting energy efficiency to school districts and municipalities.
    - Funded PennFuture to develop a proposal for an ESPC Outreach program.
    - Funding PennFuture to work with ESC and PEP to implement program (2 years)
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# PennFuture's Activities on GESA

- ▶ In August 2011, PennFuture issued [press statements](#) and [online stories](#) about the GESA program and other Corbett Admin clean energy rollbacks.
- ▶ Legislative outreach
- ▶ December 2011 – DGS issues proposed changes to the GESA program. In response, PennFuture filed a [right to know request](#) for more information to substantiate the claims made to justify the guidance changes.
- ▶ PennFuture [filed comments](#) outlining policy and legal concerns with the proposed changes.
- ▶ PennFuture has been coordinating with NAESCO (over 12 months) and ESC (since March) on potential strategies to fill the GESA gap.



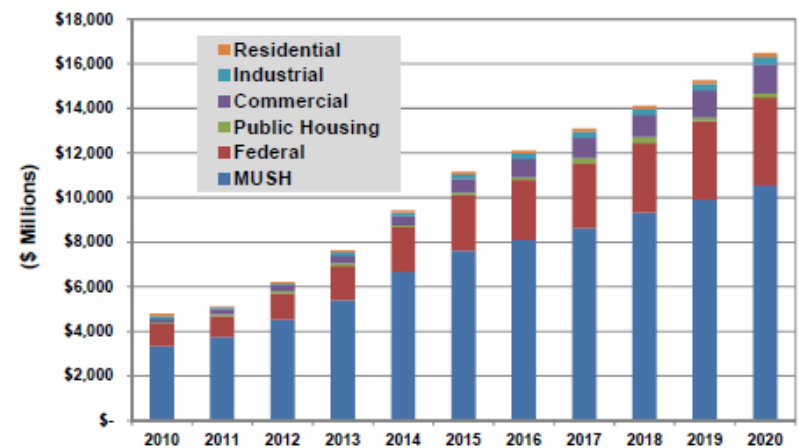
# One Reason the Funder is Interested

- ▶ **Pennsylvania Education System Budget Cuts**
  - FY 2011–2012
    - \$1 billion in cuts to K–12 education
    - Additional cuts to higher education (5%–19%)
  - FY 2012–2013
    - Basically, maintains the \$1 billion in cuts from previous year's budget
    - Many new cuts proposed, few enacted. Some funding added.
- ▶ **Pennsylvania Municipalities**
  - FY 2012–2013
    - 10% cut (\$84 million) to county–provided social services
    - Other cuts to general assistance and social welfare programs

# One Reason ESCOs might be interested


- ▶ > \$5 billion in 2011
- ▶ Growth in this market is expected to outpace general economic growth for the next decade.
- ▶ 73% (\$3,805 million) of ESCO activity in 2011 was in MUSH sector

Chart 1.2 ESCO Revenues by End Use Market, Aggressive Scenario, United States: 2010-2020



(Sources: LBNL, Pike Research)

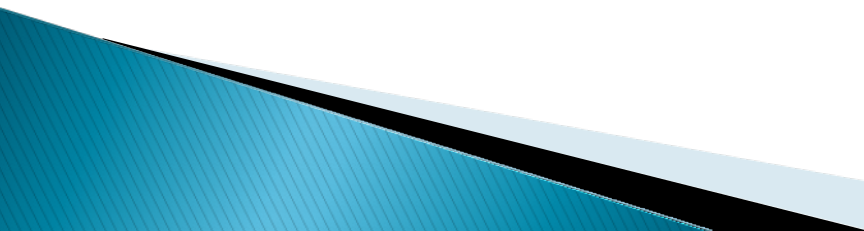
# Reasons Why PEP (LDDs) Might be Interested

- ▶ Education and outreach on energy efficiency and ESPCs is consistent with PEP's mission to help reduce energy operating costs.
  - ▶ PEP has a long history and successful experience with hands-on EE outreach and assistance.
  - ▶ Loosing DGS GESA program could impact EE opportunities in LDD districts.
  - ▶ New statewide, collaborative initiative could help attract new funding sources.
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**Why is this New Program  
Needed?**



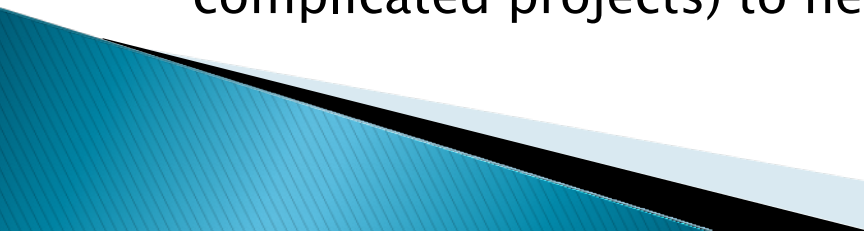
# Why is this New Program Needed?

- ▶ Elimination of the DGS Energy Management Office (GESA education and technical assistance)
    - Ongoing revision of the GESA program and guidance documents
      - Less attractive for ESCOs
      - Less assistance for school districts and municipalities
  - ▶ ESPCs have been around for a long time, but still poorly understood by potential users.
  - ▶ State funding cuts may make ESPCs more attractive.
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# Problems in the Market

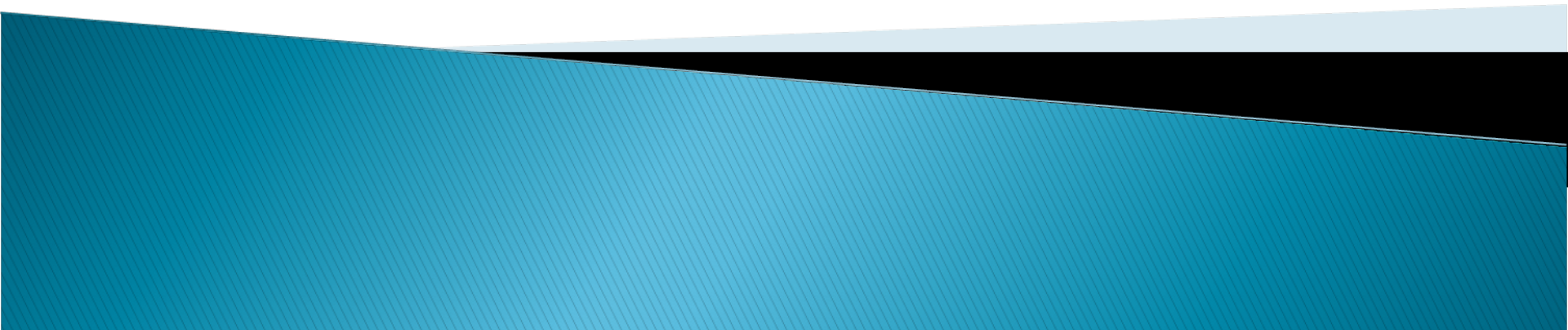
- ▶ **Consumer Confusion**
    - ESCOs competing against each other, creating inconsistent messages and confusion.
  - ▶ **Different Needs**
    - Schools generally may need less handholding than municipalities.
  - ▶ **Bad Experiences**
    - Despite benefits of ESPC contracting, some entities have had or heard of bad experiences and are wary.
  - ▶ **Large % of projects stop at the RFP stage**
    - Need to increase general interest AND conversion rates.
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# Top Challenges to Successful Implementation of ESPC Contracts

- ▶ **Lack of Buy-In:** Not having all of the stakeholders involved in the process until the contracting negotiations begin slows down the decision making process and prevents buy-in.
  - ▶ **Lack of Understanding** – Failure to adequately explain or understand contractual roles and responsibilities leads to misunderstandings that can affect energy performance.
  - ▶ **Financing** – Participants, including legal staff, need education on cost-saving financing options to ensure the best rates are obtained.
  - ▶ **Procurement** – The procurement process is one of the most complicated aspects of the ESOC model. Stakeholders will need resources like model RFPs, prequalification criteria, scoring criteria and other materials or even consultants (for more complicated projects) to help them navigate the process.
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# Overview of Proposal





# Proposed Multi-Step Process: Focus on Strengths

## Step #1

### General Advocacy and Education Program

- Webinars
- Outreach events and presentations

## Step #2

### Expert Assistance and Targeted Education

- Workshops
- Meetings

## Step #3

### Contracting

- One-on-One

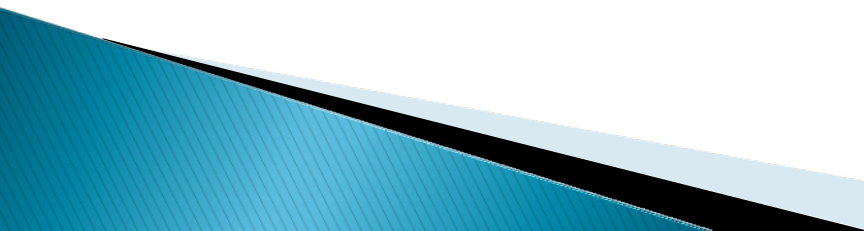
# Step #1: Basic Outreach (ESPC 101)

This step would consist of PennFuture and PEP delivering presentations, events, webinars and meetings presenting very general information on ESPCs and other energy efficiency financing programs. The intent would be to try to **educate consumers about their energy efficiency options** and to identify consumers that might be well positioned to take advantage of ESPCs.

Topics discussed at the ESPC 101 presentations could include:

- What is an ESPC? What types of activities can be funded? How does project finance work? What is the ESPC process and what should I expect (complex)? Who has used ESPCs and have they been successful? What are my other options? Is ESPC right for me?
- Provide general case studies for successful and unsuccessful projects

Some key organizations and stakeholders to work with at this stage will be:

- Pennsylvania Association of School Business Officials (PASBO) and their intermediate units (IU).
  - Pennsylvania Department of Education (PDE)
  - Pennsylvania Local Technical Assistance Program (LTAP)
  - Local Development Districts (LDDs)
  - Energy savings performance contract consultants
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# Step #2: Detailed Education Workshops (ESPC 201)

- ▶ ESC, PEP and PennFuture will partner to deliver ESPC 201 workshops, which will include very detailed information about ESPCs. The intent of this step is to educate consumers about the complexities of ESPCs, in order to properly prepare them for the process, highlight key issues to be aware of, and ultimately, reduce anxiety associated with the esoteric process.
- ▶ Topics discussed at the ESPC 201 workshops may include:
  - Contractor prequalification criteria, project development process overview, the importance of measurement and verification, reviewing the role of the financial institution, summary of legal protections, importance of roles and responsibilities.
  - Provide detailed case studies from successful and unsuccessful projects
  - Host additional experts to speak on specific topics
  - Develop on-demand presentations to address specific issues, as-needed.

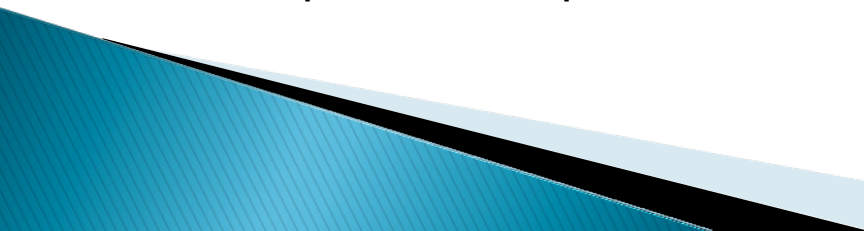
# Step #3: Optional Project Specific Assistance

- ▶ In order to facilitate contracting, **project specific guidance** is often helpful. **Various strategies** will be presented to prospective clients in order to help them obtain the advice they need. Some options include:
  - 3<sup>rd</sup> party consultant guidance with fee incorporated into ESCO contract.
  - 3<sup>rd</sup> party consultant guidance with fee paid out of pocket.
  - PEP provides consultant services at limited to no costs
  - Work directly with the ESCO as a guide.
- ▶ **A peer-to-peer Mentors Program** will also be established to allow facility managers, legal staff and business managers with experience in ESCO contracting to talk to those lacking experience. This program will facilitate communication and help increase education and comfort levels with processes and procedures.
- ▶ **Express Stakeholder Training Modules** will also be developed. These short videos will be tailored to specific stakeholders (legal, facility manager, decision makers, etc) to ensure relevant parties can obtain at least a baseline level of understanding of the process. Key themes will include roles and responsibilities, financing and procurement.

# Program Timeline

- ▶ **Phase One: Program Curriculum Development and Coordination (Months 1–6)**
  - Host coordination sessions between ESC, PennFuture and PEP in order to discuss, develop and finalize:
    - Program process
    - Program materials (contract templates, prequalification criteria, etc)
      - Scoring criteria – standardized scoring criteria with weighted scale that can be customized to specific customers priorities.
      - Prequalification criteria
      - Contract templates
      - Guidebook
      - Timeline
      - Financing overview
    - Program presentations and messaging
    - Partner roles and responsibilities
    - Code of conduct for participating ESCOs
    - Develop and promote short case studies of recent and successful projects
  - Host meetings with PA School Board Intermediary Units to review program and facilitate buy-in. PASBO? PDE? LTAP? ESPC Consultants?
  - Develop webpage to host and advertise program materials
    - Webpage on PF server with separate URL

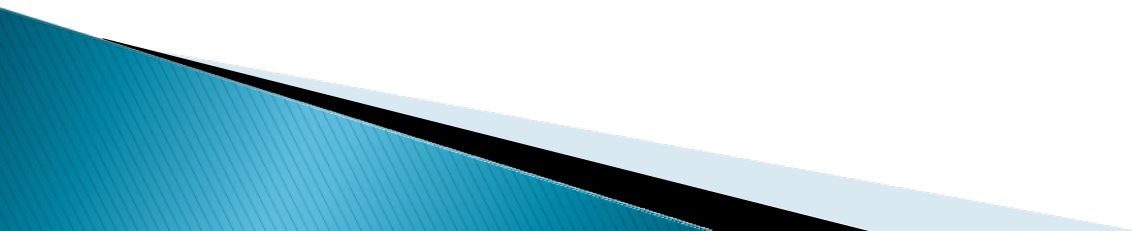
# Program Timeline

- ▶ **Phase Two: Pilot Implementation in 1–3 specific regions**  
(Months 6–10)
    - Advertise program and ‘step #1’ meeting and/or webinars to PASBO & IU’s and others.
    - Host ‘step #1’ meeting and/or webinars and advertise ‘step 2’ workshops/meetings.
    - Host ‘step 2’ meeting and present ‘step 3’ options.
  
  - ▶ **Phase Three: Year One Assessment**  
(Months 11–12)
    - Convene meetings with PennFuture, PEP and ESC to assess how pilot phase is progressing. Discuss and implement strategic changes to the program
  
  - ▶ **Phase Four: Year Two Program Implementation – Statewide**  
(Months 13–24)
    - Implement steps#1–#3 on a statewide basis
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# Funding & Next Steps



# Funding

- ▶ PennFuture is committed to obtaining additional funding for our work and is committed to assisting PEP obtain funding for their involvement.
  - ▶ EDA Funding Opportunity
  - ▶ ESC/ESCOs to contribute staff resources, meeting space and expertise.
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**Prospective Federal Funding Opportunity:**

**Economic Development Administration's  
Public Works and Economic Adjustment  
Assistance Programs**

**ESPC Outreach and Education  
Program for Pennsylvania**

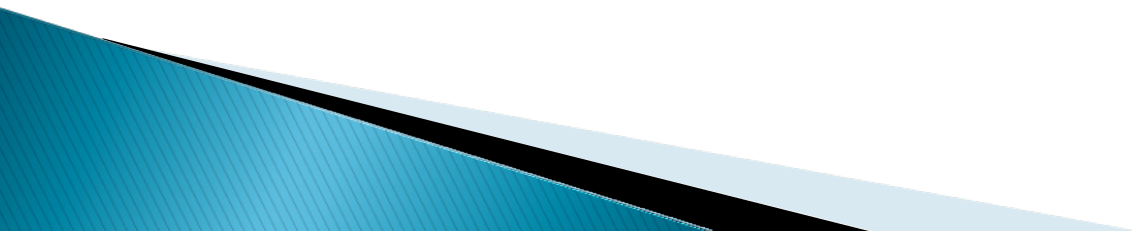
# Funding Summary:

- ▶ **Federal Agency:** Economic Development Administration (EDA), U.S. Department of Commerce
- ▶ **Application Deadline:** The funding announcement for funding cycles 2,3, and 4 of FY2013 is expected mid-October (has not yet been released). The application deadline will most likely be mid-December 2012.
- ▶ **Purpose:** To leverage regional assets to support the implementation of regional economic development strategies designed to
  - 1)create jobs
  - 2)leverage private capital,
  - 3)encourage economic development
- ▶ **Funding:** \$50 Million for program, average award is \$500,000

# Criteria

- ▶ Responsible for demonstrating the nature and level of *economic distress* in the region which the proposed project will be located.
- ▶ The EDA grant may not exceed 50 percent of total project funding.
  - Must provide documentation of the remaining 50% funding
- ▶ Projects must be consistent with the region's *Comprehensive Economic Development Strategy*

# Project application details

- ▶ Description of Region
  - ▶ Overview of economic distress
  - ▶ Description of project and how it will address identified needs.
  - ▶ Description of how project aligns with EDA's investment priorities.
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# EDA Investment Priorities

## ➤ Collaborative Regional Innovation

Initiatives that support the development and growth of innovation clusters based on existing regional competitive strengths. Initiatives must engage stakeholders; facilitate collaboration among urban, suburban, and rural (including tribal) areas; provide stability for economic development through long-term intergovernmental and public/private collaboration; and support the growth of existing and emerging industries.

## ➤ Public/Private Partnerships

Investments that use both public- and private-sector resources and leverage complementary investments by other government/public entities and/or nonprofits.

## ➤ Environmentally-Sustainable Development

Investments that promote job creation and economic prosperity through projects that enhance environmental quality and develop and implement green products, processes, places, and buildings as part of the green economy. This includes support for energy-efficient green technologies.

## ➤ Economically Distressed and Underserved Communities

Investments that strengthen diverse communities that have suffered disproportionate economic job losses and/or are rebuilding to become more competitive in the global economy.

# EDA Investment Priorities

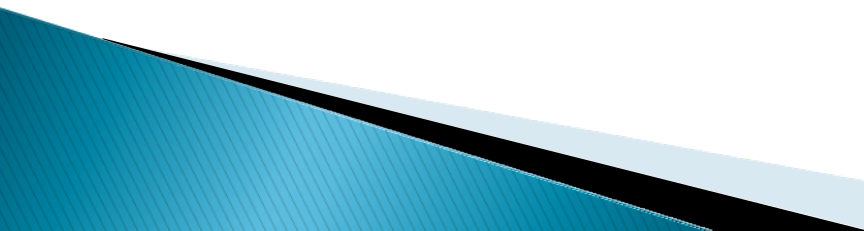
## ➤ National Strategic Priorities

Initiatives that encourage job growth and business expansion related to advanced manufacturing; information technology (e.g., broadband, smart grid) infrastructure; communities severely impacted by automotive industry restructuring; urban waters; natural disaster mitigation and resiliency; access to capital for small, medium-sized, and ethnically diverse enterprises; and innovations in science and health care.

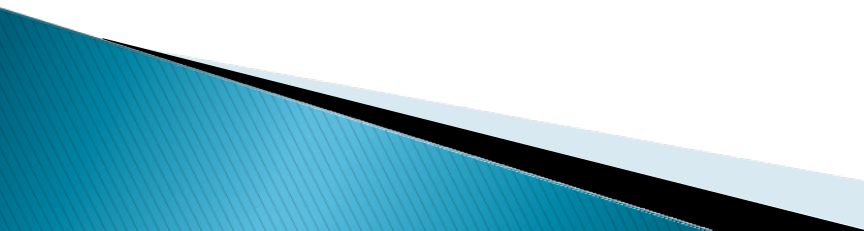
## ➤ Global Competitiveness

Initiatives that support high-growth businesses and innovation-based entrepreneurs to expand and compete in global markets, especially investments that expand U.S. exports, encourage foreign direct investment, and promote the repatriation of jobs back to the U.S.

# Examples of funded projects

- ▶ Funding a university or community college to launch a Regional Innovation Cluster strategy that supports or provides technical assistance.
  - ▶ EDA might provide funding to a city for the construction of a multi-tenant business and industrial facility to house early-stage business that successfully graduate from a business indicator that EDA also funded.
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# Pre-application consultation with EDA

- ▶ In order to participate in pre-application consultation with EDA, we must submit:
    1. Application for Investment Assistance
    2. Application for Federal Assistance  
(from each co-applicant)
    3. Budget Information
- 



# Next Steps

- ▶ Are you interested in joining or supporting the EDA funding proposal?
  - If yes,
    - Will need written commitment to participate. Will set a deadline once FOA is released.
    - Request each ESCO designate a lead staff person.
    - Identify funds that could be reported to EDA as “matching” dollars. (eg. dollar value of staff time to be contributed to this effort)

**Questions?**

