

Colorado's venture into the private sector with EPC

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*NASEO Financing Committee call, June 19, 2015
Energy Services Coalition
4th Annual Market Transformation Conference
Charlotte NC, September 1, 2015*

The Colorado Energy Office

MISSION STATEMENT

*The CEO's mission is to improve the effective use of all of Colorado's energy resources and the **efficient consumption of energy** in **all economic sectors**, through providing technical guidance, financial support, policy advocacy and public communications.*

DEPARTMENT VISION

*The CEO's vision is to help Coloradans live more prosperous and healthy lives by promoting innovative energy production and **efficient energy consumption** practices that are **beneficial to the economic and environmental health** of the state.*



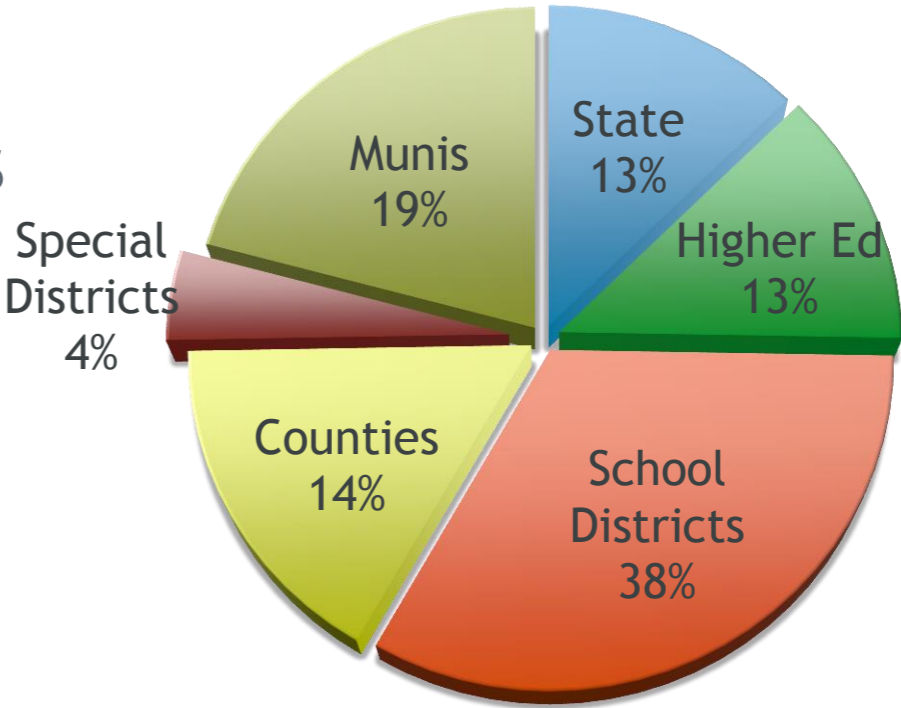
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Public sector EPC performance, June 2014

- 142 facility owners
- 182 active and completed projects



- Annual savings
 - \$ 28.8 M Utility cost savings guaranteed
 - 141.8 M kWh Electricity
 - 9.95 M therms Natural gas, propane, heating oil & coal
 - 467,200 kgal Water

- \$447.4 M total project investments **#4** Energy Services Coalition
 - \$88.96 Investment per capita **#6**

- EPC projects in communities across 75% Colorado counties

Key elements of our success

- Standardized, state-approved documents
- Pre-qualified ESCOs
- CEO advice and technical support
- Private market-based financing



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Is success transferrable to the private sector?

- Lawrence Berkeley National Lab/NAESCO study
- 2011 U.S. Dept. of Energy Competitive Award and cooperative agreement
- Incentivized participation
 - 75% (up to \$25,000) of TEA cost per client
- Key elements of success



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Participation

- Goal: Engage 10 companies in the EPC process
- Spoke to 32 companies
- Vetted 27 prospects
 - 6 Owner-occupied and leased office buildings
 - 4 Medical (assisted living & hospital)
 - 3 Manufacturing
 - 3 Mountain resorts (lodging + ski operations)
 - 2 Retail space
 - 9 Misc: Multi-family, TV, bank, warehouse, community center, ice rink, car dealership, charter school and oil & gas production



Participation, *cont.*

- Incentivized 13 companies for 16 investment grade audits
 - 2.2 million square feet
 - Potential annual savings
 - 12.8 million kWh electricity
 - 450,000 therms natural gas
 - 3,400 kgal water
 - \$1.45 million utility cost savings
 - Project tracking, as of December 2014
 - 3 conversions: audit to EPC
 - 10 in decision-making mode
 - 3 self-implementing



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Cost of delay vs. realized benefits

Participant	kWh	therms	kgal	\$ Annl savings	\$ Investment	Term
SELF-PERFORMING						
Resort 3	2,100,000			204,472	\$ -	-
Property Mgt 3	272,271	27,533	0	57,295	\$ -	-
Banking	884,922	24,246	0	42,420	\$ -	-
Cost of delay	3,257,193	51,779	0	\$ 304,187	\$ -	-
EXECUTED EPC						
Manufacturing 3	892,736	3,649	-	60,934	\$ 177,396	3 yrs
Resort 1 - Lodging	1,408,000	210,159	2,235	248,329	\$ 1,299,966	6 yrs
Community Center	1,346,006	84,357	2,484	163,333	\$ 2,608,916	15 yrs
Realized benefits	3,646,742	298,165	4,719	\$ 472,596	\$ 4,086,278	



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Lessons Learned



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Market benefits

- Deeper retrofits than previously experienced
- Initial projects may lead to a company scaling up adoption of EPC across multiple facilities
- ESCO-client relationship building opportunities



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Market barriers

- Client desire for short payback
- Internal financing vs. traditional 3rd party
- Layered corporate decision-making
- Internal competition for savings
- Need for business-friendly contracts



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Lessons learned

- Term of property hold
- Financial: ROI or payback required, timing with company budget cycle
- Very bearish on incentivizing
 - If offered, split between audit buy-down and implementation measures
 - Offer on a scheduled basis, rather than open enrollment
 - Federal funding required DUNS and SAMS
- Business-friendly contract docs
- Internal approval processes



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Considerations for permanent program design/ SEO market intervention



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Private sector dynamics in the 5-steps of EPC

- Step 1: Introductions and client approval
- Step 2: Client selects ESCO
- Step 3: Investment grade audit and project proposal
- Step 4: EPC execution and construction
- Step 5: Measurement & Verification of savings guarantee



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Other initiatives influencing private sector

- CoPACE, Colorado's Commercial PACE Program
- BOMA's launch of a redesigned EPC program
 - Re-launch announcement next week in LA
 - Private-public partnership development
 - LA Better Buildings Challenge
 - State EPC and PACE programs?
 - Advisory Board member
- Investor Confidence Project



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Critical elements of permanent program design

- State's role in addressing a market failure
- Legislative or regulatory basis
- Program funding
- Program staffing



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It's our nature.™

State of Colorado
John W. Hickenlooper, Governor

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