

ENERGY WISE PROJECTS

► Energy Project Financing



The Challenge

Energy and water efficiency projects create progress toward Federal energy and water reduction goals. Energy projects save energy and/or water, and they pay for themselves, producing more utility savings over the life of the project than the project cost initially.

But what if you can't afford these projects? Get someone else to pay for them.

Energy projects can be financed! By financing the project, you can use the savings generated over time to pay for the improvement—thus making all cost-effective energy projects affordable. Financed projects require the use of special contracting vehicles (either a Utility Energy Services Contract (UESC) or an Energy Savings Performance Contract (ESPC)) which:

- Enable other entities to finance your energy projects.
- Provide for financing terms of up to 25 years.
- Use designated Navy personnel to handle the contracting.
- Use project savings to cover the costs of the contract.
- Require no up-front capital investment.
- Can be initiated very quickly.

Both are excellent choices that will get your project underway and move you several steps closer to meeting your mandated Federal energy and water goals.



Here are some details:

UESC

Allows you to finance energy projects directly with your local utility provider.

How It Works:

- The utility arranges financing to cover the capital costs of the project.
- The contract can include all energy projects that “demonstrate an economic return on investment.”
- You may specify whatever term is necessary to repay the improvement, up to the economic life of the improvement.
- The project’s energy efficiency measures, once implemented, generate cost savings that repay the utility over the contract term.
- Project work must be for services the utility company provides to its customer base.
- Local FEC utilities contracting officers handle the contracting.

Pros:

- **Quick:** These contracts can be put in place in about 9-12 months on average. You can develop and execute immediately and not have to wait for congressional appropriations.
- **Minimal Costs:** You can make energy improvements with no initial capital investment. Repayment is usually included as part of your utility bill.
- **Easy Setup:** Builds on existing partnerships with your utility company.

Cons:

- **Availability:** Not all utility companies offer UESCs.
- **Scope:** Not all projects are services the utility company provides to their customer base.
- **No Guarantee:** The utility company typically does not provide a guarantee of performance or long-term operations and maintenance.

ESPC

Allows you to finance energy projects with private contractors, commonly called energy services companies or ESCOs.

How It Works:

- You enter a partnership with an ESCO.
- The ESCO conducts an investment grade energy audit and identifies improvements that will save energy at your facility.
- The ESCO consults with you, then designs and constructs a project that meets your needs and arranges financing to pay for it.
- The ESCO guarantees that the improvements will generate savings sufficient to pay for the project over the term of the contract.
- The contract can include all energy projects that can be implemented with a contract term less than 25 years.

- The Specialty Center Acquisitions, NAVFAC (SCAN), located in Port Hueneme, handles the contracting for these projects.

Pros:

- **Quick:** You can develop and execute immediately and not have to wait for congressional appropriations to pay for the improvements. This contract typically takes 15-18 months (or longer) to implement.
- **Competition:** You can receive multiple preliminary assessments prior to selecting the contractor.
- **Minimal Costs:** You can make energy improvements with no initial capital investment.
- **Guaranteed:** These contracts include a performance guarantee over the term of the contract; the contractor bears the risk of performance of the energy improvements.
- **Operations and Maintenance:** Operations and maintenance of the new equipment can be part of the project.

Cons:

- **Complexity:** Negotiations can become quite complex when trying to negotiate not only cost, but also savings and performance guarantees.
- **Size:** Most ESCOs are not interested in smaller (less than \$1M) projects. This vehicle may be too robust for routine energy projects only involving basic technologies, such as lighting and plumbing fixture replacements.

Benefits of Financed Projects

Mission

- Improved energy security and independence
- A hedge against volatile energy prices
- Improved mission readiness

Facilities and Utilities

- Improved infrastructure without additional cost or appropriations
- A solution to equipment maintenance problems
- Guaranteed equipment performance

Workforce

- Improved working conditions (thermal comfort, light quality)
- Sustainable facilities improve workforce recruiting and retention
- Energy and water management awards

Environment

- Reduced air pollution and greenhouse gas emissions
- Reduced impact on the local community’s limited water supply
- Being good stewards of finite resources

