

**RECOMMENDATIONS TO THE OBAMA TRANSITION TEAM**  
**NATIONAL ASSOCIATION OF ENERGY SERVICE COMPANIES**  
**December 3, 2008**

**Contact: Terry E. Singer, Executive Director [tes@dwgp.com](mailto:tes@dwgp.com)**  
**Donald Gilligan, President [donaldgilligan@comcast.net](mailto:donaldgilligan@comcast.net)**

**1) Funding for accelerated energy efficiency investments should be included in the stimulus bill because large-scale investments in energy efficiency provide a greater level of economic benefits in both the short and long term than virtually any other kind of stimulus investment and substantial environmental benefits at no additional cost.**

Large-scale investments in energy efficiency can produce more jobs and more short and long-term economic benefits than virtually any other kind of stimulus investment. Since 1990, energy service companies (ESCOs) have delivered \$35-\$39 billion of energy efficiency projects in the US.

These energy efficiency retrofit projects have resulted in:

- More than \$50 billion in total savings – guaranteed and verified
- More than 330,000 person-years of direct employment and about 1 million person-years of indirect employment
- \$25 billion of infrastructure improvements in federal, state and local government facilities
- More than 420 million tons of CO<sub>2</sub> savings at no additional cost

These energy efficiency retrofit projects are self-financing; they repay their capital cost from energy and maintenance savings in an average of less than seven years. Project financing is provided by competitively bid bonds or by competitively placed third-party leases or loans.

Investment in energy efficiency creates a significant number of jobs across regions, wage, and skill levels. One study looked at the federal Energy Savings Performance Contract (ESPC) market and estimated that a \$10 Million Investment in Energy Efficiency Delivered through Energy Savings Performance Contracts creates 95 direct jobs.

The Obama administration and the Congress should include support for accelerated energy efficiency investments such as those outlined in the attached draft legislation (Appendix A), in their economic stimulus initiatives.

**2)The Federal Energy Management Program (FEMP) at the Department of Energy and the national laboratories which it uses as contracting offices need to be held to much higher performance standards.**

**In 2006, FEMP did a “Blitz” that pushed more than \$400 million of projects into implementation in 6-9 months. Consider enacting a measure directing FEMP and its contracting officers at the national laboratories to clear the existing project pipeline immediately through another coordinated blitz effort. The incremental cost to the existing budget would be relatively small ( less than \$10 million) to cover the administrative costs for the time of FEMP staff and the contracting office staff to transform the project scopes into operating projects.**

Despite enactment of energy legislation in 2005 and 2007, and an increased level of commitment by the Bush Administration to the use of Energy Savings Performance Contracts (ESPCs) to deliver energy efficiency investment at federal facilities, DOE acknowledges that the historical record of investment in energy efficiency over the last six years (FY2003-FY 2008) has been one of underperformance. Total investment in energy efficiency {defined as Direct Appropriations, use of the Utility Energy Savings Contracts (UESCs), and use of the ESPCs} has never topped the \$720 million recorded in FY 2003, of which \$429 million (60%) consisted of ESPCs. Over the last five years, the amount of total investment has declined, hitting an all time low in FY2004, during the period the ESPC program was awaiting Congressional reauthorization.

There are approximately \$1.23 billion of projects currently languishing in the pipeline. The challenge facing the federal government is translating these proposed projects into delivery orders that can be implemented at federal facilities. The two largest agencies with projects in the current project pipeline are DOE, which has \$520 million in projects (42%) and DOD with \$576 million in projects (47%).

The pipeline paralysis is particularly troubling when it is considered in the context of overall DOE priorities. The longer the delay and inaction, the more likely it will be that DOE will fail to meet the energy and dollar reductions mandated by the Energy Independence and Security Act of 2007. Project delay means lost energy and dollar savings opportunities that can never be recaptured. Project delay means that the economic stimulus in the local and national economy reflected by every dollar of the investment is delayed. Delay translates into equipment not purchased, jobs not created, as well as environmental mitigation opportunities squandered.

**3) Announce the results of the ESPC recompetete.**

DOE has a list of qualified Energy Service Companies (ESCOs) with whom federal facilities may contract. Almost two years ago, FEMP began the process of re-bidding the ability for third party providers to participate in the Energy Savings Performance Contracting (ESPC) Program. The process has languished and rumors of an announcement have been circulating for over a year. In early August, 2008, companies were told by the FEMP office if they were in contention

to be part of the list of qualified contractors. However, no final announcement has been forthcoming. This uncertainty has had the effect of slowing down the ESPC project development and implementation process and it is nearly a certainty that DOE, as well as other federal agencies that rely on the ESPC program for much if not all of their energy efficiency activities, will not come even close to meeting its energy efficiency investment objectives in 2008.

**4). Expand the management responsibility of the Assistant Secretary of Energy Efficiency and Renewable Energy to include clean coal and clean natural gas technologies and increase the staff. This Assistant Secretary would have its own planning and evaluation process, a separate budget line item, dedicated legal and Congressional relations staff and report directly to the Deputy Secretary of Energy**

**The creation of a more closely coordinated policy planning process and centralized execution function in clean energy would result in the adoption of more comprehensive long-term policy strategies and better oversight of clean energy project implementation. DOE would be better able to achieve its mandate to maximize the use of clean energy technologies and dramatically accelerate the aggregate level of energy and dollar savings to be mined from the US building stock.**

The new management structure would include dedicated offices focused on, among other things, research and development of the next generation of clean energy technologies, commercialization and deployment of clean energy technologies, resolution of transmission issues related to the creation of a smart grid, development of an infrastructure that can wheel the power created through the use of renewable technologies, and promoting the use of Energy Savings Performance Contracts and Utility Energy Savings Contracts to implement widespread energy efficiency investment. Special emphasis would be placed on R&D activities and reclaiming the leadership role that the US government has played in the past in advancing the development of innovative clean energy technologies

The expansion of the policy focus of the Assistant Secretary in conjunction with the enhanced support structure would strengthen program management by centralizing planning, programming, budgeting, program deployment, and evaluation. Creating a long term planning and programming cycle of between 5-15 years would bring stability to the clean energy technology planning and budget process and break the start-stop cycle that has generally characterized the FEMP program, the implementation of energy efficiency initiatives at DOE, as well as many of the other clean energy initiatives undertaken in the past.

**5) Create a new office within GSA or the White House on energy and climate whose mandate would be to work with Federal agencies to aggregate procurement of clean energy technologies across multiple agencies. Creating a significant purchasing pool for these technologies would result in cost efficiencies as well as accelerate the acquisition of energy and dollar savings and emissions reductions.**

## **APPENDIX A**

### **DIRECT INSTALLATION OF ENERGY EFFICIENCY PROGRAM**

Section 1. **Short title.**—This Act may be cited as the Energy Efficiency and Jobs Creation Act of 2008”.

### **Section 2. Congressional findings and declaration of purpose.**

#### **(a) Findings**

The Congress finds that –

(1) energy use in private and public sector owned and managed buildings is excessive and implementation of aggressive energy efficiency measures will have an immediate and substantial effect in reducing energy demand;

(2) the development and implementation of comprehensive energy efficiency projects in existing buildings will dramatically help residential consumers, schools, government and businesses become more energy efficient, upgrade their infrastructure, generate energy cost savings, and produce high quality jobs;

(3) the widespread use of energy efficiency measures in existing buildings will reduce regulated air pollutants and greenhouse gas emissions; and

(4) the Federal Government has a responsibility to promote the use of energy efficiency measures and pursue energy efficiency policies in all sectors of the economy and for all homeowners in order to stimulate the economy by reducing energy demand and the resultant amount of fossil fuels that need to be purchased outside of the United States, by generating energy cost savings, and creating new jobs.

(b) Purpose.—It is the purpose of this Act to promote energy efficiency and create jobs.

**Section 3. Authorization of appropriations** – For the purpose of carrying out this Act, there are authorized to be appropriated \$10,000,000,000.

**Section 4. Use of funds.**

(a) Of the amount provided in this Act, one half will be for institutional and state and local buildings, and the remaining half distributed among residential buildings, commercial buildings, and industrial buildings.

(b) Within thirty days of the release of funds under this Act, the Secretary of Energy shall distribute 49.5% of the funds to the state energy offices in the states, as defined by 42 U.S.C. § 6322, or other agency designated by the Governor of the state or the Mayor of the District of Columbia, with one-half of the funds disbursed in accordance with population and one-half disbursed on an equal basis to all the states and the District of Columbia. Of the amounts provided in this section, .1% of the funds shall be disbursed equally to Puerto Rico, Guam, American Samoa and the U.S. Virgin Islands.

(c) The Secretary of Energy will disburse the funds to each state, the District of Columbia, Puerto Rico, Guam, American Samoa and the U.S. Virgin islands upon receipt of a certification from each state Governor or the Mayor of the District of Columbia that the funds will be disbursed during the next nine months for the following purposes:

(1) Investments in comprehensive energy efficiency retrofits of existing state buildings and facilities, including buildings and facilities of state universities and community

colleges, and local government buildings and facilities, including buildings and facilities of municipalities, counties, vocational districts and school districts;

(2) Investments in comprehensive energy efficiency retrofits of existing residential homes, either single or multi-family, so long as the residences are not eligible for participation in the Low-Income Weatherization Assistance Program in that jurisdiction, and for already established programs that deliver these energy efficiency retrofits on a direct install basis and that does not require a financial contribution from the resident to pay for the retrofits;

(3) Investments in energy efficiency retrofits in commercial facilities, particularly energy efficiency retrofits in existing retail and other small commercial facilities (under 450 kW) on a direct install basis pursuant to programs that have been established in the marketplace in any jurisdiction; and

(4) Investments in industrial energy efficiency retrofits in existing industrial facilities, utilizing established methods, including implementing potential investments identified as a result of the US Department of Energy's "Save Energy Now" program.

d) Within three months of the date of enactment of this Act, the Secretary of Energy shall publish guidance which sets forth the metrics that the Secretary shall utilize in evaluating the state reports submitted in accordance with subsection (f).

(e) Within nine months of the release of funds from the Secretary of Energy, the states, the District of Columbia and the designated territories shall have disbursed these funds for energy efficiency retrofits in the existing buildings described in subsection (c). Energy efficiency programs implemented in accordance with this section shall be:

(1) monitored and verified to ensure that energy efficiency measures are being implemented and are saving energy on a cost effective basis, that is that they have scores on the

Total Resource Cost (TRC) test as defined in the California Standard Practice Manual for energy efficiency programs of greater than 1.; and

(2) implemented by the states or third parties designated by the states, such as energy service companies or electric or gas utility companies or local governments.

(f) Within ten months of the release of funds from the Secretary of Energy, the states, the District of Columbia and the designated territories shall report to the Secretary on the use of funds, including the monitored and verified energy savings actually produced, projected energy savings over the next twelve months, the specific entities implementing the energy efficiency programs, and the direct and indirect employment created as a result of these programs.

(g) Within twelve months of the release of funds from the Secretary of Energy, the Secretary shall disburse the remaining 50% of the funds to the states and the District of Columbia in accordance with the performance of these entities in achieving monitored and verified cost-effective energy savings and increases in employment, as determined by a review and analysis of the reports submitted in accordance with subsection (f). A three month period will be given to these jurisdictions to cure any failures in compliance with the requirements under subsection (c) and subsection (f). In the event of failure to successfully meet these requirements after the three-month cure, period the Secretary shall provide no additional funding under subsection (g) to that jurisdiction.

**Section 5. Limitation on the use of funds.**

(a) In the event the states, the District of Columbia or the designated territories determine that the funds disbursed under this Act cannot be expended for the respective residential, commercial, institutional or industrial purposes in accordance with the percentages required in subsection 4(a), then the states may reallocate these funds to other energy efficiency purposes in the other sectors for direct installation of energy efficiency in existing buildings after submitting a report to the Secretary of Energy within ten months after the initial distribution of funds by the Secretary under this Act consistent with subsection 4(f). Subject to approval of the report by the Secretary, the additional disbursement of funding under subsection (g) will be permitted.

(b) The states shall not utilize more than ten percent of the funds provided under this Act for administration of the programs under this Act, and no more than five percent of the funds provided under this Act shall be utilized for monitoring and verification activities and ensuring the energy savings are sustained.

**Section 6. Effect on other laws.** – An Environmental Impact Statement or any other environmental review, in accordance with the National Environmental Policy Act of 1970, shall not be required under this Act.

**[APPROPRIATIONS – NOTE – THE STATUTE IS AN AUTHORIZATION – THE  
FOLLOWING LANGUAGE SHOULD BE UTILIZED FOR THE APPROPRIATIONS  
LANGUAGE – ASSUMING A SUPPLEMENTAL APPROPRIATIONS  
BILL/STIMULUS PACKAGE]**

Department of Energy

Energy Efficiency and Renewable Energy

For an additional amount for “Energy Efficiency and Renewable Energy”,  
\$10,000,000,000, to remain available until expended: *Provided*, That of the funds appropriated,  
the entire amount is directed to the Energy Efficiency and Jobs Creation Act of 2008: *Provided  
further*, That of the funds appropriated for this purpose, the Department of Energy shall disburse  
the funds to the states no later than thirty days after enactment for purposes of section 4(b) of the  
Energy Efficiency and Jobs Creation Act of 2008, and within twelve months of enactment for  
purposes of section 4(e) of the Energy Efficiency and Jobs Creation Act of 2008.