Illinois Community College CFO Spring Conference

Benefits of an Energy Efficiency Program

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Benefits of an Energy Efficiency Program

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Energy Efficiency Programs - Background

- Used by operating entities to evaluate and implement energy efficiency initiatives for economic, operational, and environmental benefits.

Efficiency Customers and Sponsors Include:

**Governmental entities**
- US Federal Government
- State/local governments
- Public housing authorities
- Park districts, water & electric districts, and other special agencies

**Healthcare (not-for-profit 501c3)**
- Hospitals and medical centers
- Hospital NFP Support Entities
- Medical office buildings
- Municipal hospitals

**Public education**
- K-12 public schools
- Community colleges, state colleges and universities

**Not for Profit Institutions**
- Private colleges and universities
- Cultural institutions
- Scientific/research facilities

**Commercial/industrial**
- Manufacturing and corporate facilities
- Commercial utilities
- Commercial properties
Energy Performance Contracting Fundamentals

- Contracting method by which an entity procures energy savings and deferred maintenance facility improvements typically under a Guaranteed Savings Energy Performance Contract or similar agreement (an EPC) from an Energy Services Company (ESCo)

- Efficiency improvements determined through an Investment Grade Audit or similar review

- Utility or cost avoidance savings generated from the project are typically guaranteed by the ESCo

- Savings may be measured or stipulated (agreed to between the customer and the ESCo upfront)

- Savings are generally used to cover the financing of the improvements

- Most states have passed performance contracting statutes to facilitate but also standardize EPC terms and requirements for public entities within the state

- Contract tenors and EPC requirements vary by state
IL Community College Statute for Energy Conservation and Savings Measures

- ILCS 805/5A 5-65: IL Performance Contracting Statute for Community Colleges
  - Permits both energy & operational savings
  - Requires savings guarantee from a qualified provider
  - Contract limited to 20 yr term after installation (lengthened from 10 yrs + installation)
  - Available funds include funds designated for operating or capital expenditures
  - Can finance with a Lease/Purchase or Installment Payment Contract
Common Energy Conservation Measures (ECMs) covered under performance contracts

- Energy efficient indoor lighting
- Building control systems and occupancy sensors
- Boilers, chillers, HVAC and mechanical systems
- Central plants
- Outdoor lighting, parking lights, street lights
- Storm windows or doors, insulation and other weatherproofing improvements
- Energy recovery systems
Benefits of Energy Efficiency and Renewable Energy

- Replacement of older equipment with new more reliable/efficient assets than generally can “pay for themselves”
- Cashflow deferred maintenance items by leveraging faster payback initiatives
- Reduce utility expenses
- Improved indoor air, lighting, and comfort quality
- Improve budgeting/forecasting
- Utilization of Federal tax incentives
- Utility incentives
- Environmental attributes
  - Potential renewable energy credits
  - Carbon offset
- Other benefits
  - Increased property value
  - Green community leadership
  - Student environmental activism
Financing Options

- Lease/Purchase or Installment Payment Contracts
  - Privately placed
  - Low costs of issuance
  - Rate locks may be available
  - Favorable prepayment options are generally available

- Certificates of Participation/Bonds
  - Publicly offered: wide distribution/sources of capital via an underwriter
  - Interest rate typically determined a week or so before closing
  - Typically higher costs of issuance vs. a private placement, but generally has a lower interest coupon rate
  - Typically prepayable at par after a no call/lock out period
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