Alternative Financing for Federal Energy Projects: An Overview of the Federal Energy Management Program Role

Douglas Dahle, National Renewable Energy Laboratory
Robert Westby, National Renewable Energy Laboratory
Mark Ginsberg, U.S. Department of Energy, Federal Energy Management Program

Federal agencies are mandated to reduce energy use by 30 percent by 2005. The investment in energy projects required to achieve this reduction is estimated at $4–$6 billion. At current appropriations levels, the annual shortfall is some $500 million. In addition to legislative and executive mandates, the Federal Energy Management Program (FEMP) was directed in the fiscal year (FY) 1996 Interior Appropriations Bill to increase private investment in federal energy projects primarily through Energy Savings Performance Contracting (ESPC), as well as other alternative financing mechanisms.

This paper discusses the progress to date and the FEMP strategy in using ESPC to secure private investment and support. The following are presented:

- The *New Rule* which eliminate barriers to Federal use of ESPC
- Summary of recent energy efficiency ESPC support activities
- Recent developments in measurement and verification guidelines for ESPC projects
- FEMP efforts to make Federal ESPC projects more accessible to industry

The primary FEMP strategy to streamline the ESPC procurement process is the use of Indefinite Delivery Indefinite Quantity (IDIQs) contracts or ''Super ESPC''. The premise of the Super ESPC approach is to compete ESPC services for all federal buildings in a regional area. Super ESPC will significantly enhance Federal access to ESPC services and will lower procurement costs, thereby making the Federal market considerably more attractive to industry. The pilot Super ESPC activities are presented.

INTRODUCTION

The annual cost of Federal building energy use exceeds $4 billion[1]. The Energy Policy Act of 1992 (EPACT-Public Law 102-486, October 24, 1992) and Executive Order (E.O.) 12902 (March 8, 1994) mandates the Federal government to reduce building energy consumption by 30 percent from a FY 1985 baseline by FY 2005. Reducing federal facility annual energy bill by more than $1 billion will require a capital investment of $4–$6 billion in energy efficiency and renewable energy projects between now and 2005. This paper will examine and discuss the importance of using Energy Savings Performance Contracting (ESPC) to meet these requirements and the U.S. Department of Energy (DOE) Federal Energy Management Program (FEMP) role to support and facilitate widespread use of ESPC.

BACKGROUND

Legislative and Executive Order History

In November 1992, Subtitle F of mandated improved energy efficiency in Federal government. It amended the National Energy Conservation Policy Act to: (1) establish new energy reduction goals for Federal buildings (20 percent energy use from FY 1985 baseline by FY 2000); (2) require Federal agencies annually to survey 10 percent of their facilities for energy efficiency and water conservation opportunities and rank projects; (3) authorize and encourage Federal participation in utility industry demand-side management programs; and (4) modify ESPC statutory authority and direct DOE to develop regulations to establish methods and procedures for ESPC. In March 1994, E.O. 12902 set a 30 percent energy

reduction goal (from FY 1985 usage baseline) by FY 2005, and encouraged expanded use of renewable energy sources and innovative alternative financing approaches such as ESPC.

Energy Project Capital Investment Requirements

Meeting the 30 percent energy reduction goal by FY 2005 implies achieving $1 billion annual energy savings for Federal facilities. For example, if the average simple payback of all energy projects is five years, the estimated cumulative capital investment required between now and 2005 would be approximately $5 billion. The sources of capital resources available to agencies generally are: (1) agency capital appropriations; (2) funds for facility operations and maintenance, if available; and (3) private sector funds from ESPC or utility programs.

Since the late 1970s, agencies have requested appropriations to meet programmed requirements to improve facility energy efficiency. For the Department of Defense (DOD), capital appropriations for its Energy Conservation Investment Program (ECIP) were between $10–$220 million annually; the General Services Administration (GSA), the second largest federal property owner, managed annual facility energy improvement budgets of $30–$50 million; and DOE's In-House Energy Management (IHEM) programs received $20–$30 million.

During the last five years, total appropriations for Federal facilities have ranged from $100–$350 million annually, peaking in FY 1995 at approximately $350 million. The trend began to reverse in FY 1996, when DOD received approximately $75 million, (a more than 60% reduction from FY 1995); GSA's energy programs were cut to $20 million; and DOE's IHEM budget was zeroed. In keeping with other budget reductions that affect all Federal agencies, facility operations and maintenance (O&M) budgets were reduced to eliminate most discretionary spending for energy projects at federal installations from O&M fund sources. However, the one continuing ''cost of living'' expense that remains at all Federal sites is for utilities. The author presumes this trend will continue and be reinforced by the Interior Appropriations bill, which directed DOE to accelerate and streamline the use of privately financed programs, to implement energy projects. Therefore, the estimated cumulative investment required to achieve the $1 billion annual savings target by 2005 cannot be accomplished through Federal funding. This lack of federal appropriations forecasts an annual capital investment shortfall of approximately $500 million per year through the year 2005. ESPC and other alternative financing programs that require private funding are critical to meet the legislative and executive energy reduction mandates.

ESPC PROGRAM OVERVIEW

This section will describe the key points of ESPC and summarize FEMP progress to date, including a new ESPC Federal regulation, FEMP activities to support ESPC implementation, and development of industry partnerships to advance ESPC market penetration.

ESPC Key Points

ESPC Authority. ESPC is a relatively new procurement vehicle. Allows Federal agencies to enter into multiyear (up to 25-year) contracts for energy services at no capital cost to the government. Statutory authority for ESPC is provided in Title 42, United States Code (U.S.C.), Section 8287 (also known as title VIII of the National Energy Conservation Policy Act.) ESPC provides that an energy service company (ESCO) incurs the cost of at least: (1) conducting facility audits to propose energy efficiency or renewable energy projects that achieve energy and cost savings; (2) designing the proposed equipment or facility retrofits; (3) installing the equipment to meet proposed energy saving performance guarantees; (4) monitoring pre- and post-installation equipment or measuring energy use to verify project energy savings; (5) training government employees to use new energy systems or providing new equipment operations; (6) maintaining and repairing contractor-installed equipment and systems; and (7) providing all financing to implement and maintain the project throughout the contract term. In return for the above services, the ESCO receives payments for verified energy and related O&M cost savings realized by using installed equipment.

EPACT Changes in ESPC Authority. Section 155 of EPACT amended 42 U.S.C. 8287, was enacted in April 1986 (formerly Shared Energy Savings.) The principal changes that resulted from the amendments were: (1) contracts require annual energy audits to verify and reconcile annual energy savings performance of contractor energy conservation measures (ECMs); (2) contracts require performance guarantees and specific terms and conditions of payments and performance guarantees; (3) to clarify that agencies could award multiyear contracts without funding the entire contract cost (provided Congress is notified 30 days in advance if a contract exceeding $750,000 is awarded); (4) to require DOE to establish a list of qualified firms that can provide ESPC services; (5) to allow agencies to receive unsolicited proposals from firms on the qualified list; and (6) to direct DOE to establish, by rule, methods and procedures for Federal agencies to procure ESPC services (including the authority to develop substitute regulations needed to effectively acquire ESPC services). EPACT amendments also established a five-year limit on ESPC authority and annual Government Accounting Office (GAO) reporting of

ESPC effectiveness after the ESPC rule takes affect. GAO's final annual report would include recommendations for maintaining or eliminating ESPC authority.

The ESPC Final Rule

On April 10, 1995 the final rule that established methods and procedures for acquiring of ESPC services was published in the *Federal Register* (Vol. 60, No. 68, April 10, 1995, pp. 18326–18337). It initiated the five-year pilot program for ESPC set forth in EPACT and established a new regulation at Title 10, Code of Federal Regulations (CFR) Part 436, Subpart B—''Methods and Procedures for Energy Savings Performance Contracting''. The rule was the culmination of a formal rulemaking process that involves a public hearing, oral testimony, and extensive written comments, primarily from the energy services industry. FEMP coordinated the proposed policy for the ESPC regulation with Federal agencies and was accountable (EPACT directive) for acquiring concurrence on the proposed final rule, from the Federal Acquisition Regulatory (FAR) Council before it was released to the *Federal Register*.

Barriers Removed by ESPC Regulation. The final rule (and associated regulation) achieved some notable breakthroughs and may eliminate barriers to agency use of ESPC, especially the lack of policy guidance and clear authority in FAR (Title 48 CFR, Parts 1-99) for contracting officials when considering acquisition of ESPC services. The new ESPC regulation in Title 10 CFR part 436, subpart B, **§ 436.30 Purpose and Scope** states that''. . . This subpart applies in addition to the Federal Acquisition Regulation at Title 48 of the CFR and related Federal agency regulations. The provisions of this subpart are controlling with regard to energy savings performance contracts notwithstanding any conflicting provisions of the Federal Acquisition Regulation and related Federal agency regulations.''

Improvements in Contractor Selection. Another key breakthrough was in contractor selection. The experience to date with ESPC indicates an industry reluctance to participate in Federal ESPC procurements (i.e. average of 2-4 offers for each project) because of the transaction costs and high risk of conducting detailed ''investment-grade'' facility survey work to provide technical and price proposals with performance guarantees in a competitive procurement. This concern was common in proposed rulemaking written comments from industry.

The ESPC regulation § **436.33 Procedures and methods for contractor selection** allows a Federal agency to select and award an ESPC using a two-step process, unique in Federal procurement practices. Specifically § 436.33 states ''(2) Each competitive solicitation—(i) Shall request technical and price proposals and the text of any third-party financing agreement from interested firms; . . . ; and (iii) May provide for a two-step selection process which allows Federal agencies to make an initial selection based, in part, on proposals containing estimated energy cost savings and energy unit savings, with contract award conditioned on confirmation that the guaranteed energy cost savings are within a certain percentage (specified in the solicitation) of the estimated amount. . . . (5) After selection under paragraph (a)(3) or (a)(4) of this section, but prior to award, a Federal agency may require the selectee to conduct a detailed energy survey to confirm that guaranteed energy cost savings and/or energy unit savings are within a certain percentage (specified in the solicitation) of estimated energy cost savings and energy unit savings in the selectee's proposal. If the detailed energy survey does not confirm that guaranteed energy savings are within the fixed percentage of estimated savings, the Federal agency may select another firm from those within the competitive range.''

Other Features of ESPC Regulation. Other key features of the ESPC regulation are: (1) it allows agencies that acquiring services for a large Federal complex to select a firm based on proposals for a representative sample of buildings or facilities, which reduces ESCO and agency transaction costs [see 436.33 (a)(4)]; (2) it recognizes the third-party financing arrangements used by ESCOs and equipment title transfer issues that are fundamental in these procurements and allow that ''. . . An energy savings performance contract may contain a clause permitting the lender to perfect a security interest in the installed energy conservation measures, subject to and subordinate to the rights of the Federal agency.''

FEMP Support of Agency ESPC Implementation

DOE FEMP has provided assistance to agencies through three primary vehicles: (1) training workshops for Federal employees on ESPC and related alternative financing strategies; (2) electronic and written materials provided at no cost to assist federal agency users and educate industry suppliers, including an alternative financing *How-To Manual* on ESPC; model ESPC solicitation documents; and a *Measurement & Verification (M&V) Guideline for Federal Energy Projects*; and (3) direct technical and advisory services to agency acquisition teams that implement ESPC projects.

ESPC Workshops. From 1993 to 1995, DOE FEMP provided eight to ten free ESPC workshops annually at various locations throughout the United States. The workshops were designed for Federal agency energy managers, procurement officials, general counsel, and budget/finance staff. The objective was to introduce the legislative authority, and a process to allow agency procurement teams to develop a

site-specific ESPC solicitation document (i.e., a RFP) for their project. More than 500 federal employees attended these free workshops. They have been part of procurement teams responsible for eight of the last 16 alternative financing projects (ESPC and utility company energy services contracts and agreements) implemented by various agencies during FY 1994 and 1995. Beginning in January 1996, DOE FEMP began charging for ESPC and other DOE FEMP sponsored workshops. To encourage the formation of project teams, the ESPC course currently costs $350 for a two-person procurement team (i.e., one technical and one contracting representative). In mid FY 1997, FEMP plans to release a ESPC training workshop video to expand outreach to Federal employees, who may not have funds to attend workshops. Contact the FEMP HELP Desk at 800-DOE-EREC for information on ESPC workshops.

ESPC Documentation. Agencies and industry representatives may acquire written and electronic versions of the ESPC *How-To Manual*, ESPC model solicitation, and the *FEMP M&V Guideline for Federal Energy Projects* through the FEMP HELP Desk (800-DOE-EREC) at no charge. Several hundred copies of the ESPC How-To Manual and model solicitation have been provided to federal agencies, states, and industry. The FEMP M&V Guideline became publicly available in February 1996. In July 1996, FEMP will offer 2 short (8-12 minute) video tapes covering ESPC basics and legislative and regulatory background.

ESPC Project Technical Assistance. Since FY 1993, DOE FEMP has provided direct technical assistance on selected agency projects to facilitate ESPC project implementation. The services span the acquisition cycle from project identification and feasibility analysis through post-award contract administration support. DOE FEMP staff and technical staff at DOE laboratories collaborate to provide direct technical assistance as required. The ESPC project at the National Park Service (NPS) Statue of Liberty National Monument (includes Liberty and Ellis Island facilities) provides an example of the range of services DOE FEMP can offer to facilitate project implementation. DOE FEMP and laboratory staff provided the following services:

- Facility survey and energy project technical and economic feasibility analysis which identified several energy retrofits with less than 10 year.
- Provided advice and consultation to NPS team in establishing project requirements and implementation strategies in May 1993.
- Advice and recommendations on how to integrate Public Service Electric & Gas utility demand side bidding program financial incentives into ESPC project.
- Assistance in developing facility performance requirements such as museum lighting standards based on Museum Director input.
- Technical assistance and review of ESPC RFP which was issued in March of 1994.
- Advice and consultation to the NPS team at a preproposal conference in April, to the government technical evaluation board.
- Helped the technical board chairman summarize team findings and recommendations to the NPS Contracting Officer in June 1993
- Provided technical advice and consultation to the NPS contracting officer on evaluating the price proposals and during technical and price proposal discussion held with firms in competitive range in August 1994.
- DOE FEMP provided consultation to board members during review of revised proposals and participated in teleconferences with NPS technical and contracting staff during selection of one firm to proceed with submittal of proposed energy project to PSE&G for consideration and approval by the utility in Sept. 1994
- Provided consultation to the NPS contracting officer to review PSE&G project approvals and discuss PSE&G's proposed contract terms and conditions with the selected ESCO, between November 1994 and February 1995
- Supported the NPS procurement team briefing to park superintendent in February to acquire final approval and initiate Congressional notification
- Provided advice and consultation to NPS Contracting Officer during intensive final negotiations with selected firm, which occurred between February and May 1995.
- Participated in face-to-face final negotiations with selected firm in June and provided on-site training to new contracting officer who acquired project responsibility in late May.
- Provided technical support and consultation at NPS postaward conference with ESCO contractor on July 31, 1995
- Provided assistance to NPS technical and contracting staff in reviewing and providing comments contractor submittals, including lighting retrofit and variable frequency drive (VFD) installation plans, pre-installation energy use of lighting systems, and motors to be retrofitted.

In addition, FEMP was asked to provide technical advice and consultation during government acceptance of installed ECMs to begin 15-year energy-savings performance period of the NPS Statue of Liberty National Monument ESPC in February or March 1996. The above project description characterizes the range of technical support services DOE FEMP and DOE laboratory staff can provide to agencies to assist and facilitate ESPC project implementation. Elements of these services have been provided to other agencies for numerous ESPC procurements.

The technical support services available from DOE FEMP are expected to be provided on a reimbursable basis in FY 1996 and beyond. This is a result of DOE FEMP budget cuts in FY 1996 and the Senate Interior Appropriations Bill, which directed DOE to provide technical assistance to agencies on a reimbursable basis.

FEMP and Industry Partnerships

A partnership between DOE FEMP and the energy services industry was initiated during the ESPC rulemaking process, which encouraged open dialogue and public disclosure of proposed approaches to formulate procedures for Federal use of ESPC authority. When the ESPC final rule was issued in April 1995, DOE FEMP commited to maintain the industry partnership to streamline and accelerate ESPC use in the Federal government. At a May 1995 seminar before National Association of Energy Service Companies' Mid Year Conference in San Francisco, DOE FEMP proposed a working group meeting in Washington, D.C., to review the DOE model solicitation and examine ways of improving the document to meet mutual objectives that support successful long-term public/private business partnerships. The ESPC regulation at § 436.33 states that ''. . . (2) Each competitive solicitation—. . . (ii) Shall consider DOE model solicitations and should use them to the maximum extent practicable. . .''. DOE FEMP acknowledges that each agency has the authority to develop its own model solicitation; however, the rule referred to the use of a model solicitation as a standardized source of guidance (not policy) to allow the ESPC regulation to retain procurement flexibility for each agency, and a model solicitation could remain dynamic and adapt to changes in market conditions and agency requirements and needs. In August 1995, more than 70 representatives from energy services companies, financiers, and federal agencies met in Washington, DC, to discuss mutual objectives to improve the model solicitation document. Breakout groups reviewed selected provisions of the model solicitation, discussed technical, contractual, legal, and financial issues, and provided recommended language or action items to plenary sessions. A revised ESPC model solicitation that incorporates recommendations and subsequent *Federal Register* requests for comments was released in May 1996. The current version of the ESPC model solicitation is available to the public through the FEMP HELP Desk at 800-DOE-EREC.

M&V GUIDELINE IS BREAKTHROUGH FOR ESPC

ESPCs are bilateral agreements to pay for performance, in this case for ''energy savings.'' The ESPC authority defines energy savings as ''a reduction in the cost of energy [and related operations and maintenance] from a base cost established through a methodology set forth in the contract,. . .'' The method of establishing base cost (baseline) and the reduction in energy cost (energy savings) is the central core of the ESPC transaction. The method of determining or quantifying energy savings and associated cost savings is the ''basis of payment'' for energy services provided by an ESCO. This method is the M&V of energy project performance. The methods used to conduct M&V has been the single most important condition of the ESPC that clearly allocates risk between the buyer and provider of services. A lack of standards or procedures to guide both parties toward mutual understanding of responsibilities and risk has hindered widespread acceptance of ESPC in the Federal sector.

The *FEMP M&V Guideline for Federal Energy Projects* is written for Federal procurement teams and contractors engaged in energy projects with Federal agencies. The document outlines procedures for specifying M&V in preparing a RFP, an evaluation of ESCO proposals, and establishing the basis of payment for energy savings during the contract. It helps the user choose the best M&V option and method for specific projects. Contractors who respond to RFPs may refer to the guideline for more information on specific M&V procedures referenced in Federal RFPs. The FEMP M&V Guideline was published in February 1996 and is available through the FEMP HELP Desk.

Implementing the FEMP M&V Guideline

The FEMP M&V Guideline provides federal agencies with consistent procedures to evaluate and apply available M&V options for several common ECMs (lighting efficiency retrofits, lighting controls, constant load motor efficiency, variable speed drives, chiller retrofits, and generic variable load energy systems) as appropriate to the site-specific project needs. The guideline is now been integrated into the DOE FEMP ESPC workshop. The FEMP guideline was presented at a seminar for attendees at the NAESCO mid-year conference in May 1996. DOE FEMP seeks to find other avenues of collaboration with industry to expose all potential industry suppliers of energy services to the M&V methods and procedures Federal agency users may specify or require in RFPs. The M&V Guideline is now being used as part of Federal

ESPC procurements in which DOE FEMP has provided technical assistance in developing RFPs. As required, DOE FEMP may provide training seminars on use of the guideline for any federal agency. ESPC projects implemented in 1996 and beyond will be monitored to improve or add M&V options and procedures based on lessons learned.

ESPC STREAMLINING ACTIVITIES

ESPC will play a critical role in achieving the energy reduction mandates placed on Federal agencies. However, effectively tapping into private capital resources to reach multibillion dollar investment targets will require accelerated and streamlined procurement processes. DOE FEMP has been directed by Congress to accelerate the level of private sector investment in Federal energy projects. Currently, most ESPC projects involve full and open competition of ESCOs for single agency sites, which may include single buildings or complexes of several hundred buildings, such as at DOD installations. In each acquisition, the agency experiences a high learning curve as it deals with contract terms, conditions, financial arrangements, and technical challenges of performance-based contracting. Agencies that have established centralized teams with core competencies to implement ESPCs have demonstrated their ability to implement ESPC projects more rapidly and with ever-increasing scope and innovation to capture private sector investments. The USPS Headquarters and the U.S. Army through its Corps of Engineer Division in Hunstville, Alabama, have implemented more projects than any other agency. DOE FEMP, hopes to maintain a core competency of ESPC experts and develop procurement vehicles that invite Federal participants who may not have personnel or fiscal resources to develop cost-effective centralized teams.

Government-wide Procurement Vehicles

DOE FEMP plans to implement a procurement vehicle that would allow any agency within a specified geographic region to participate in and use existing ESPC contracts. The proposed procurement approach is to award IDIQ (''Super ESPC'') contracts to multiple ESCOs in a geographic region. Multiple Super ESPC contracts usable by all agencies within a region, provide broad market access to federal agency projects for those successful ESCOs. The objective is to reduce the transaction cost to both ESCOs and the Federal Government in awarding ESPC contracts, while capturing the economy of scale offered by the federal government's substantial real property assets. Super ESPCs establish the general terms, conditions, and contract requirements for each ESCO awarded a contract for a geographic region. ESPC projects are implemented by agencies through delivery orders executed under the Super ESPC. The streamlining opportunity is derived by focusing agency and ESCO resources and attention on technical and price proposals to achieve energy cost savings at specific project sites, rather than negotiating generally applicable contract terms and conditions. See figures 2 and 3 for graphical summary of the Super ESPC approach.

Description of the Super ESPC Process

DOE will issue a RFP requesting ESCOs to submit proposals addressing their capability, past experience, business management approach, and pricing mechanisms to provide energy services for a broad range of energy technologies in a specified geographic region. The RFP will also include one or more site specific agency projects. Potential ESCOs will be required to develop technical and price proposals for energy services based on agency site specific requirements. ESCOs will be evaluated on factors covering their approach and capability to provide broad energy services in a geographic region and the technical and economic feasibility of site specific project proposals.

Super ESPCs will be awarded to more than one ESCO to maintain the competitive edge for agencies in executing site specific project delivery orders. The Super ESPC contract provides agencies with discretion to select one or more ESCOs to provide a site specific proposal. There is agency discretion on how competition may be conducted, such as requesting an oral presentation of ESPC services proposed, instead of preparing costly detailed technical and price proposals. The Super ESPC also allows awarded ESCOs opportunity to develop and submit project proposals to agencies for consideration. The key feature of the Super ESPC is to direct agency and ESCO resources toward implementing energy projects and effectively manage contract administration to reduce transaction costs and timeframe to execute delivery orders for site specific energy services agreements. The Super ESPC approach is expected to reduce the current single site ESPC procurement process duration from one-two years to six months or less for delivery order award.

FEMP Support for Agency Project Site Development

DOE FEMP will maintain core competency of technical staff to provide project development and contract administration support services for the Super ESPC procurements. FEMP will provide technical staff from DOE Regional Support Offices, national laboratories, and support service contractors to assist agencies who provide volunteer candidate project sites for use in Super ESPC RFP. For project site development after Super ESPC contract award, FEMP support will usually be provided on a reimbursable basis. Agencies will be requested to contact the DOE Regional Support Office for information and technical assistance requests for project site development.

FEMP support for project site development through contract award includes:

- project screening for general economic and technical feasibility.
- site-specific energy survey to confirm energy use data, equipment inventory, facility conditions, potential energy project opportunities, and M&V plan recommendations.
- additional data collection (e.g. energy system submetering), if required for Super ESPC RFP or delivery order.
- technical advice and consultation during site specific technical proposal evaluations.
- technical advice during delivery order contract negotiations (if requested).

FEMP technical resources may be utilized on a reimbursable basis for post award contract administration support which may include:

- technical review of design and installation plans for proposed energy systems.
- energy project post-installation inspection and acceptance support for:
  - confirming system installed correctly;
  - initial energy performance monitoring confirms energy savings performance.
- periodic review of M&V data to confirm continued energy savings performance.

Overview of DOE Western Region Pilot Super ESPC

On May 16, 1996, DOE Headquarters Procurement Office issued a draft RFP, for industry comment, for a Super ESPC acquisition covering all federal facilities in eight western states (Alaska, Hawaii, Washington, Oregon, California, Arizona, Nevada, and Idaho). The proposed contract anticipates awarding contracts to several ESCOs for ESPC work in the eight state region. The Super ESPC provides for a base period of three years during which DOE and agencies may execute delivery order contracts totaling $250 million. The Super ESPC contract also has two three year option periods with additional ordering capacity of $250 million per period. As the Super ESPC contract is an IDIQ, DOE is only obligated to provide a minimum quantity of work (i.e. one delivery order contract worth at least $150,000) to each contracted ESCO.

The FEMP technical support team provide assistance to screen and develop four project sites for foru different agencies. The facility, energy use and submetered data and agency specific facility construction and performance requirements will be included in the final RFP issued to industry. Anticipated target date for final RFP issue is late June 1996. The author will provide updates on this pilot project during the ACEEE Summer Study presentation of this paper.

CONCLUSIONS

ESPC will be a critical energy project financing vehicle, as federal agencies implement their plans to achieve energy reduction mandates of EPACT and E.O. 12902. The reduction in capital appropriations available to finance projects will increase the demand for alternative project financing approaches like ESPC. With a nine year window of opportunity to acquire private sector investment, federal agencies require technical support services and a procurement vehicle that streamlines the process of acquiring ESPC services. The FEMP project financing technical staff at regional support offices and national laboratories have the expertise and successful track record to deliver the technical services agencies need. The Super ESPC is expected to provide the government-wide procurement vehicle needed to accelerate and streamline agency access to private investment and the energy services industry to meet federal energy reduction mandates.

REFERENCES

U.S. Department of Energy. 1995. ‘‘Annual Report to Congress on Federal Government Energy Management and Conservation Programs, Fiscal Year 1994, *U.S. Department of Energy.*