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Successfully Implementing Your UESC Project

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Let's Discuss...

- Funding your UESC projects
- Crossing Fiscal Years
- Continuing Resolutions
- Two serving utilities
- Utility's Partner(s)
- Accepting Incentives
- Pay Annually – Save Big!
- The Enabling Documents for UESCs

Funding Your UESC Projects

3 Easy Ways to Pay for Your Project:

1) Appropriations

2) Financing

3) Combination

Appropriations

If available, appropriations represent the most cost-effective method of paying for utility energy services contracts

- Payment of the costs associated with UESC can come from whatever fund source the agency determines it can use for utility services

- Use appropriations wisely -
 - Projects should be cost-effective,
 - Contribute to overall energy goals,
 - Include strategy for persistence of savings

Financing

Did you know that Congressional appropriations may not be available to implement comprehensive UESCs?

- Financing can be used to fund UESC projects
 - Regulated utility brings the necessary capital to the project typically through financing agreement with a third party financier
- Finance projects wisely -
 - Ensure the mark-ups are fair and reasonable
 - Ensure the utility selected financier through selection process
 - Recommend savings exceed payments

Combining Funds

- Legislation allows Federal agencies to combine Congressional appropriations and financing to pay for UESCs
 - Allows agencies to implement savings with deeper energy and dollar savings
 - Allows agencies to maximize the use of appropriations and minimize the need for financing

And Why Can I Do This?...

- EISA Section 432
 - Use appropriated funds
 - Use private financing available through UESC (and ESPC)
 - Use any combination of appropriated funds and private financing to implement cost-effective measures

Regarding Payments...

- Contracting Officers may sign a contract chargeable to funds of the new fiscal year before the funds become available
 - Reference FAR Part 32.703-2: Contract Funding
- There is no legal liability on the part of the Government for any payment until funds are made available
 - Include 52.232-18: Availability of Funds

Sole Source? – But I Have 2 Serving Utilities...

- Legislation allows Federal agencies to enter into UESC without full and open competition, however, it is recommended that you give fair consideration to each:
 - Evaluate on major factors:
 - Contractor past performance
 - Experience of key personnel
 - Technical and management approach
 - Price mark-up
 - *Comfort level*

Howdy, Partner!

- Many Utilities Partner with an ESCO
- ESCO should be selected through a competitive process
- Utility / ESCO Agreement
 - Establishes pre-contract relationship
 - Margin Sharing
 - Proprietary Information
 - Liability
- Federal Government's UESC is with serving utility; *Utility is the Prime Contractor!*

Incentives, Incentives, Incentives!

- Use available incentives to help the economics of your UESC projects:
 - Apply for incentives in a timely manner
 - Get commitment letter
 - Use best option for disbursement”
 - Option 1: Apply rebate to payment to reduce capital cost of project
 - Option 2: Assign rebate to third to reduce construction costs (if commission allows)
 - Option 3: Accept rebate as credit on utility bill

Annual Payments Decrease Interest *(please do not ignore...)*

Example 1

Finance term: 120 months

Project amount: \$10 million

Monthly interest rate: 8%

Monthly payment: \$121,327

Annual interest rate: 8.3%

Total monthly payments:
\$14,559,310

Annual payments:
\$13,947,580

Savings from annual
payment: **\$611,730**

Interest savings 13.5%

Example 2

Finance term: 240 months

Project amount: \$20 million

Monthly interest rate: 8%

Monthly payment: \$167,288

Annual interest rate: 8.3%

Total monthly payments:
\$1,923,112

Annual payments:
\$13,947,580

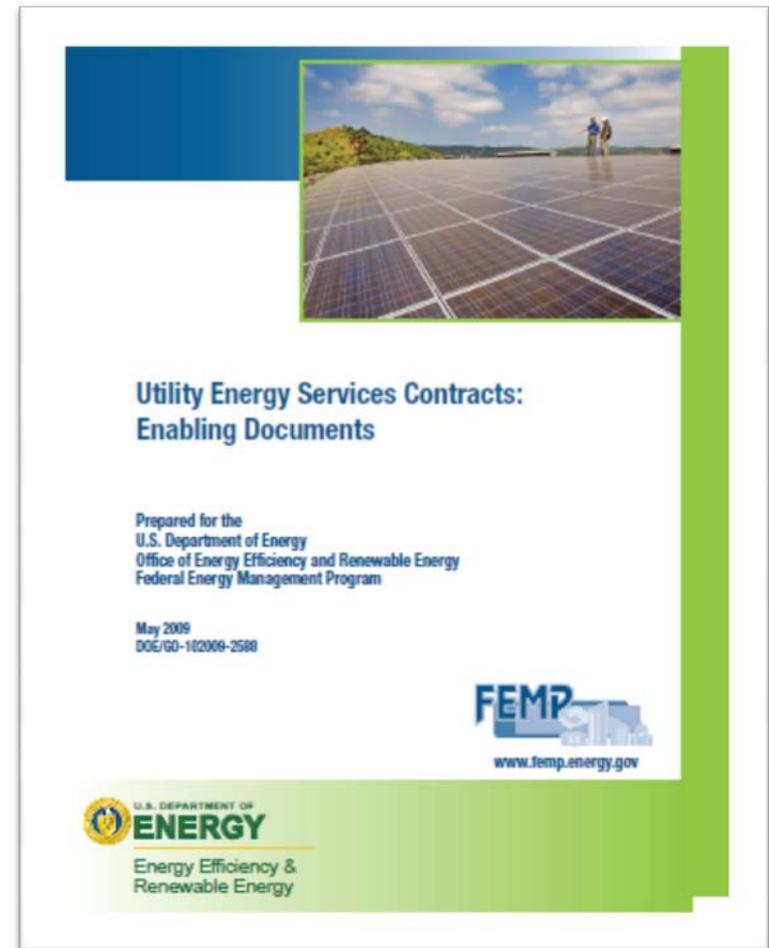
Savings from annual
payment: **\$38,462,252**

Interest savings 8.3%

The Enabling Documents for Utility Energy Services Contracts

Especially Designed to:
Address UESC questions
Overcome barriers
Serve as invaluable resource
Make UESC life easier...

Contain:
Pertinent Legislation
Legal Opinions
Guidance
Samples
Contacts



Questions??

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