

Board of Public Utilities

aka: ESIP; ESCO; P.L. 2012, c. 55

**ENERGY SAVING
IMPROVEMENT
PROGRAMS**

What ESIP is all about

- ▣ Retrofitting public facilities with Energy Conservation Measures (ECM) without new capital investment
 - Savings from reduced energy use pays for the improvements = No New Money!
- ▣ Applies to all government contracting units, including school districts

ECM Categories:

- Distributed generation (solar, wind, geo, bio...)
- Major HVAC (capital) and minor HVAC (non-capital)
- Energy efficiency, demand response equipment
- Non-energy savings related (building envelope)
- Future capital replacements
- Standalone lighting improvements
- New energy related capital improvements, i.e., new air conditioning installation Must be funded separately from non-operating (i.e., capital improvement) funds
- **Water savings, i.e., low flow fixtures**

Develop the ESIP

- ▣ **Step 1** – Perform independent audit
 - Third party – not the ESCO
- ▣ **Step 2** – Hire ESCO or Mechanical Engineer to prepare Energy Savings Plan
 - If competitive process, use the audit as basis for proposals
 - ESCO must agree to provide an optional energy savings guarantee
- ▣ **Step 3** – Develop Energy Savings Plan
 - Identify the Energy Conservation Measures and projected energy savings
 - Savings based on BPU adopted standards

How ESIP is Funded

- ▣ An ESIP is either a Self Refunding Bond or Lend-Lease Operation
- ▣ Capital Project Energy refunding comes from the energy savings that were budgeted as energy line item in the general budget.
- ▣ Incentives from Clean Energy
- ▣ Demand Response Savings through lower energy use.
- ▣ Energy Resiliency Bank
- ▣ Federal Tax Incentives from (Lend-Lease programs)
- ▣ **ROID Grants cannot be combined with ESIP**

Contracting Options Available

ESCO Option

◎ Plan A – ESCO Option

- ESCO is a single contractor that develops & manages the process, including offering guaranteed savings.
- Use public bidding or competitive contracting process to award a contract to a firm (ESCO) to develop & manage construction of improvements
- ESCO must give a guarantee of savings opportunity to government entity
- Contract award is for “most advantageous, price and other factors considered process” or “lowest responsible bidder.”

Contracting Options Available

DIY Model

- ◎ **Plan B – DIY Model**
- ◎ Hire an energy consultant to develop your Energy Savings Plan
- ◎ Develop your own specs and bid the job...
 - Or hire professionals to provide that service
- ◎ Rely on built-in verification process to assure savings

Contracting Options Available

Hybrid Model

- **Plan C – Hybrid Model – Combination of ESCO & DIY**
- Hire an Architect or Mechanical Engineer to manage an ESCO project
- Develop a plan that the professional will put out to bid as a RFP
- Allow the professional to take the entity (gov't or school) through the interview process
- Allow the professional to be the liaison through the project to the ESCO

ESIP is a Funding Program

- ⦿ **Requirements for an Energy Savings Plan**
- ⦿ No Negative Cash Flow
- ⦿ No Capital Cost Avoidance (except on a very limited basis)
- ⦿ No use of SREC's in Cost Savings Calculations
- ⦿ Independent Third Party Review of Plan
- ⦿ **Maximum 15 Year Pay Back Standard Plan**
- ⦿ **Maximum 20 Year Back with Combined Heat & Power Plan**

BPU Jurisdiction of ESIP

- ⦿ **Guidelines – The Final Word**
- ⦿ RFP must be approved by the BPU
- ⦿ Mandatory pre-proposal conference for interested, DPMC certified ESCO's
- ⦿ BPU will receive, at a minimum, a CD or Flash Drive copy of each phase of the proposal and contract process
- ⦿ Investment Grade Audit (IGA) for the Energy Savings Plan
- ⦿ After Independent Third Party Review of Plan, BPU must approve plan
- ⦿ BPU has complete authority to deny any phase and Clean Energy Incentives when deemed necessary

Where is ESIP Program at Since 2012

- LGEA over 2400 building in the State of New Jersey can be audited.
- LGEA over 300 government entities, Municipalities, school districts and state agencies have been audited.
- Over 30 school districts have either started or are in the process of completing an ESIP project.
- Several large cities have started the ESIP process with bidding using the RFP provided by the BPU
- Clean Energy Program is fully funded to help the ESIP program
- Several school districts have used CHP to extend financing for 20 years without Clean Energy incentives

Getting Started

Start with an Energy Audit:

<http://www.njcleanenergy.com/commercial-industrial/programs/local-government-energy-audit/local-government-energy-audit>

Issue a RFP for a Energy Cost Savings Plan: Boiler Plate Available

<http://www.njcleanenergy.com/commercial-industrial/programs/energy-savings-improvement-program>

Contract Issued

Work Begins

Energy Costs Drop

Savings Begin

Key Links

- Clean Energy Incentives
- <http://www.njcleanenergy.com/commerical-industrial/home/home>
- ESIP information
- <http://www.njcleanenergy.com/commerical-industrial/programs/energy-savings-improvement-plan>
- Link to the ESIP legislation
- <http://www.njleg.state.nj.us/2012/Bills/AL12/55.pdf>

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