Energy Saving Improvement Programs

Board of Public Utilities

aka: ESIP; ESCO; P.L. 2009, c. 4
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
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.

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
- 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 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 have been 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:  

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](http://www.njcleanenergy.com/commerical-industrial/home/home)
- ESIP information
- Link to the ESIP legislation
  - [http://www.njleg.state.nj.us/2012/Bills/AL12/55.pdf](http://www.njleg.state.nj.us/2012/Bills/AL12/55.pdf)

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