



Utility Energy Service Contracts Promote Energy Efficiency In Federal Facilities

The federal government is the largest energy customer in the country and has been required since 1992, through various legislation and executive orders, to reduce its energy use. Utility energy service contracts (UESCs) are tools that the government uses to meet its energy goals. UESCs were developed so that federal facilities could contract for a broad array of energy conservation, renewable energy, and metering services from their local utilities on a sole-source basis.

Electric utilities are committed to helping the federal government meet its efficiency goals and are in a unique position to deliver cost-effective results. According to the Department of Energy's Federal Energy Management Program (FEMP), nearly 1,700 UESC projects have been awarded since 1994 and have saved more than 14 trillion Btu. To date, federal agencies have used UESCs to invest approximately \$2.3 billion in their facilities. And FEMP believes "the end benefits of UESCs are the ability to implement energy projects with no initial capital investments, minimal net costs, and time and resource savings."¹

UESCs Provide Valuable Benefits To The Federal Government

Through UESCs, the federal government and the utility industry have embarked on a long-term partnership to improve energy efficiency, increase the use of renewable energy, and enhance utility infrastructure. This partnership will be even more important in the future as energy security concerns increase and federal budgets decrease.

By 2014, FEMP's goals are to:

- Achieve annual utility project investment of \$300 million;
- Increase the number of utilities providing UESCs to their federal customers and/or participating in the Federal Utility Partnership Working Group by 33 percent; and
- Increase the number of federal sites implementing UESCs by 33 percent.

There are a number of case studies that illustrate the effectiveness of the UESC program.² Examples include:

- **Eglin Air Force Base** in Florida reduced its energy consumption by almost 30 percent and is saving roughly \$1.5 million in annual energy costs through energy conservation measures.
- Five **Veterans Administration (VA) Medical Centers** in California implemented a variety of energy efficiency measures, including the installation of new high-efficiency heating, ventilation, and air conditioning (HVAC) equipment; the expansion of the centers' energy management control

¹ U.S. Department of Energy, Federal Energy Management Program, "Funding Federal Energy and Water Projects" and "Utility Partnerships Program Overview."

² Visit http://www1.eere.energy.gov/femp/financing/uesc_case_studies.html to review case studies of UESC projects conducted by federal agencies.

systems; and the installation of energy-efficient lighting systems. These measures will save the VA more than 6 million kilowatt-hours (kWh) of electricity and 20 million gallons of water annually.

- Seymour Johnson Air Force Base in North Carolina upgraded its lighting, HVAC, and energy management systems, and decentralized its existing steam system for annual energy and operational savings of more than \$1.6 million.

The Role Of Utilities In UESC Partnerships

The electric power industry's record on energy efficiency demonstrates its commitment to—and expertise in—helping all of its customers use energy more wisely. Electric utilities spent a record \$5.12 billion on energy efficiency and demand-response programs in 2011, or 21.3 percent more than the \$4.22 billion spent in 2010, according to the U.S. Energy Information Administration. In fact, electric utilities have spent approximately \$51 billion on demand-side management programs from 1989 to 2011. Cumulatively, these efforts have saved 1,279 billion kWh. In 2011 alone, electric company energy efficiency programs saved 108.6 billion kWh of electricity—or enough to power nearly 9.68 million average U.S. homes for one year.³

Electric utilities are committed to helping the federal government meet its efficiency goals and are in a unique position to deliver cost-effective results. A federal facility is often a utility's largest customer, which means the utility has a deep understanding of its customer's energy needs. The two entities also share a common perspective focused on continuing a successful long-term relationship. And, utilities have unparalleled expertise in implementing energy efficiency measures. Indeed, federal agencies cite trust, expertise, project quality, quick contracting, and value as reasons for entering into UESCs.

In addition to UESCs, Special Facility Contracts are another important public-private partnership. Utilities offer special facility agreements to build energy infrastructure for the government, such as upgrading or renting a substation, installing non-standard metering equipment, or repairing the government distribution system after a storm. Importantly, these contracts also give the federal facility the option to pay for the improvements over time.

UESCs play a critical role in helping the federal government meet its energy efficiency, renewable energy, and energy security goals in a cost-effective manner. UESCs are essential contracting tools for federal agencies that should be encouraged, especially as federal dollars to pay in advance for energy improvements continue to shrink.

³ U.S. Department of Energy, Energy Information Administration, data compiled from *Electric Power Annual*, 1994-2011 editions

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