



# STATE ENERGY SAVINGS PERFORMANCE CONTRACTS

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS COMMITTEE  
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ISSUE BRIEF

**SUMMARY**

Current statute allows agencies to enter into energy savings performance contracts for up to 20 years without Legislative approval. The state currently has approximately 38.9 million of outstanding loans on energy savings projects and will likely enter into three additional multi-million dollar contracts in FY 2011.

**BACKGROUND AND DISCUSSION**

***State Building Energy Efficiency Program***

In HB 80 *Energy Savings in State Buildings* (2006 G.S.) the Legislature transferred responsibility over the State Building Energy Efficiency Program to the Division of Facilities Construction and Management (DFCM). The program develops and administers a program to improve energy efficiency in the maintenance and management of state facilities. Among other functions, the program works with state agencies to enter into energy savings performance contracts which help finance capital energy projects.

***Energy Savings Companies (ESCO)***

In recent years the State Building Energy Efficiency Program has used Energy Savings Companies, known as ESCOs to help design and finance energy projects. ESCOs perform a detailed energy study to determine the extent of potential energy savings associated with specific energy projects. ESCOs then guarantee the amount of energy savings used to repay traditional loans financing the energy projects. ESCOs allow the state to self-fund projects rather than use state-funded appropriations.

HB 80 allows state agencies to enter into energy savings agreements for terms of up to 20 years provided the State Building Energy Efficiency Program oversees the project, the governor’s office approves the project, and the agency provides a copy of the contract to the Legislative Fiscal Analyst. The statute does not require Legislative approval of these contracts.

***Current State ESCO Projects***

Table 1 below details the current energy projects financed through ESCO energy contracts.

| <u>Project</u>         | <u>Initial Loan</u> | <u>Loan Remaining</u> | <u>FY 2011 Payment</u> | <u>Date of Loan Retirement</u> |
|------------------------|---------------------|-----------------------|------------------------|--------------------------------|
| Ogden Regional Center  | \$ 549,483          | \$ 480,000            | \$ 41,000              | 10/30/2023                     |
| Draper Prison          | \$ 9,329,433        | \$ 8,900,000          | \$ 800,000             | 7/29/2022                      |
| Utah Valley University | \$ 8,946,432        | \$ 7,860,000          | \$ 680,000             | 11/6/2023                      |
| University of Utah     | \$ 40,618,298       | \$ 21,623,889         | \$ 1,862,633           | 1/1/2027                       |

Table 1

***Future State ESCO Projects***

The State Building Energy Efficiency Program anticipates entering into the following three ESCO projects in FY 2011:

1. \$3 to \$5 million for Southern Utah University energy projects;
2. \$2.2 million for Salt Lake Community College energy projects;
3. \$4.7 million for Dixie State College energy projects.