

# Regionalized Performance Contracting

## PURPOSE

To reduce the upfront cost of pursuing energy efficiency measures in municipal buildings by pooling the demand of several municipalities into one regional service contract for capital improvements.

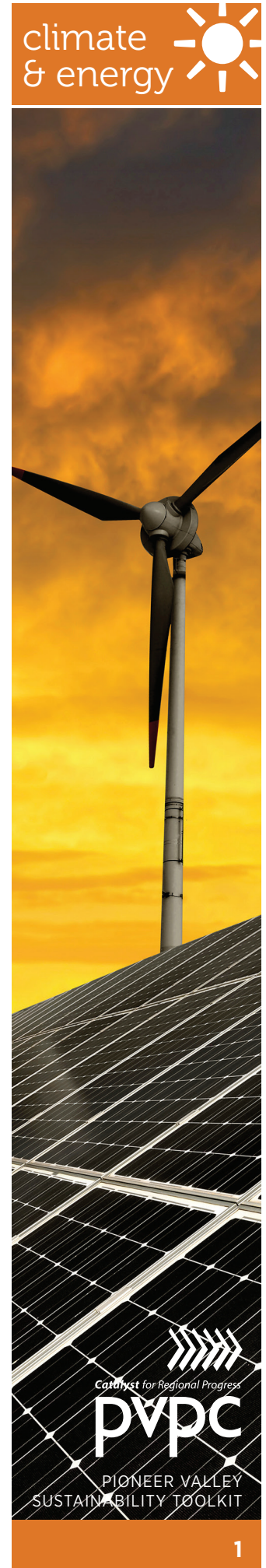
Energy use in municipally-owned buildings, such as administrative offices and schools, accounts for a significant percentage of municipal budgets. One way to accomplish significant energy efficiency improvements in public buildings at no incremental cost to the local public purse is to engage an energy service company (ESCO) through a performance contract.

## HOW IT WORKS

Through a performance contract, an ESCO will identify and evaluate energy-saving opportunities and recommend improvements, such as new lighting technologies, boilers and chillers, energy management controls, to be paid for through monthly energy savings over several years. The ESCO will guarantee that savings meet or exceed annual payments to cover all project costs. To ensure savings, the ESCO offers staff training and long-term maintenance services. If savings don't materialize, the ESCO pays the difference, not the municipality.

However, ESCOs have drawn a line at undertaking performance contracts directly with smaller municipalities, because the savings from energy consumption is deemed too small to cover their costs. As a result, many municipally owned structures in smaller communities and regional school districts have a harder time accessing these services. But by pooling the energy demand from buildings in multiple municipalities, such as town centers and schools from neighboring towns, officials can increase their municipality's profile and make energy performance contracting viable to companies.

Town	Annual Savings
Belchertown	\$300,000
Easthampton	\$166,262
Granby	\$60,000
Hadley	\$60,000
Holyoke	\$360,000
Ludlow	\$120,000
Monson	\$120,000
Palmer	\$120,000
South Hadley	\$120,000
Southampton	\$60,000
Southwick	\$120,000
Wilbraham	\$120,000
<b>TOTAL</b>	<b>\$1,726,262</b>



## EXAMPLES OF WHERE STRATEGY HAS BEEN ADOPTED

In 2008, the Franklin Regional Council of Governments (FRCOG) launched a regionalization effort for energy savings performance contracting that encompassed sixteen towns and three regional school districts. FRCOG was able to successfully pool municipal demand, launch a Request for Proposals on behalf of the municipalities, and contract an ESCO for the initial energy audits. Once the ESCO provided initial energy audits, each town had the ability to decide whether or not to contract the ESCO for the capital improvements and longer-term repayment of the improvements through energy savings.

Likewise, the Pioneer Valley Planning Commission (PVPC) launched a regional energy auditing and building efficiency services initiative in 2010, assisted by funding provided by the Massachusetts Legislature and administered by the Department of Housing and Community Development. PVPC pooled the energy demand of buildings in over a dozen towns and regional school districts and successfully procured an ESCO at a lower-than-market price. The participating communities were Belchertown, Easthampton, Granby, Hadley, Holyoke, Ludlow, Monson, Palmer, South Hadley, Southamptton, Southwick, Wilbraham and Williamsburg. The school districts for Chesterfield-Goshen, Southwick-Tolland and Granville also participated in the pool to contract an ESCO. The total estimated savings

## LINKS TO MODEL BYLAWS OR MORE INFORMATION

ENERGY SAVINGS COALITION:

<http://www.energyservicescoalition.org/resources/whatis.htm>

FRANKLIN COUNTY COUNCIL OF GOVERNMENTS (FRCOG) ENERGY SAVINGS PERFORMANCE-BASED CONTRACTING:

[http://www.frcog.org/services/regional\\_services/svcs\\_energy.php](http://www.frcog.org/services/regional_services/svcs_energy.php)

PIONEER VALLEY PLANNING COMMISSION (PVPC) REGIONAL ENERGY AUDITING AND BUILDING EFFICIENCY SERVICES:

[http://www.pvpc.org/pressreleases/pr-jul-16-09\\_enaud.shtml](http://www.pvpc.org/pressreleases/pr-jul-16-09_enaud.shtml)

## FOR MORE INFORMATION, PLEASE CONTACT

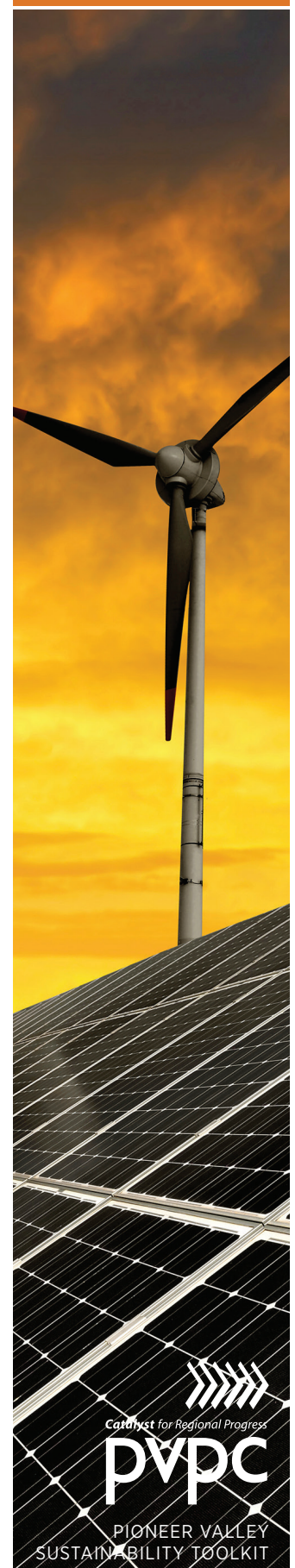
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