

STATE PARTNER

STATE OF MINNESOTA



Implementation Model: Guaranteed Energy Savings Program

GOAL

To reduce energy intensity in state-owned buildings by 20 percent by 2020, based on 2010 levels

BARRIER

State agencies were not undertaking energy efficiency projects due to lack of upfront financing

SOLUTION

Minnesota created the Guaranteed Energy Savings Program (GESP), a state-led initiative to deliver technical, financial, and contractual assistance to state agencies to support the implementation of Energy Savings Performance Contracting (ESPC), a mechanism that provides upfront project capital that is ultimately repaid by the energy savings generated by the project

OUTCOME

Within two years, GESP built a pipeline of 26 energy efficiency projects impacting more than 550 buildings and 26 million square feet of building space, with projected annual savings of \$10.8 million. As the 26 projects underway and future GESP-supported projects succeed, GESP is helping the state of Minnesota achieve its savings goal of 20 percent by the year 2020

Energy savings performance contracting unlocks upfront capital that enables energy efficiency projects to go forward. For Minnesota, ESPC represented an opportunity to mobilize projects that would move the state toward its energy savings goals if building owners understood ESPC and how to use it effectively. Thus in 2012, Minnesota established a dedicated team in the Department of Commerce to offer comprehensive ESPC consulting services. The team is called the Guaranteed Energy Savings Program (GESP) and supports state agencies and local governments through every step of the ESPC process, minimizing the perceived risk of an unfamiliar approach to project implementation.

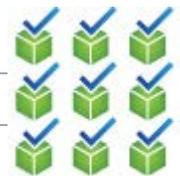
Minnesota's Playbook



Policies

In 2003 Minnesota enabled state agencies to use ESPC via state Statute 16C.144. The real catalyst for increased ESPC activity, however, occurred in 2011 via Executive Order 11-12 (EO 11-12). EO 11-12 was the result of a year-long effort that merged the state's interest in improving the energy performance of its building stock and interest from the ESCO community, general contractors, and construction unions in generating more jobs as a result of the increase in retrofit projects. The order mandated the creation of GESP and required state agencies to work through GESP when pursuing ESPC.

In the 2015 legislative session, GESP is trying to become self-funding by amending state statute to allow a program administrative fee on GESP projects. GESP will then have funding to hire program and engineering support staff as needed to keep up with an increasing number of projects.



Process

Creating the Guaranteed Energy Savings Program (GESP)

While EO 11-12 directed the Minnesota State Department of Commerce (COMM) to establish GESP, it left the funding and details up to the Department. COMM took the first step in 2012 by using U.S. Department of Energy's State Energy Program funds to hire two full-time staff with ESPC expertise to become the GESP team. The staff develops and runs the program, helping state and local government agency clients through every step of developing and implementing ESPC projects.

GESP next worked with public and private-sector partners to establish the infrastructure to offer its services. GESP then worked with the three state agencies focused on budget, administration, and construction to establish the basic framework of services. Working with Minnesota Management & Budget, for example, GESP revised capital budget rules to require state agencies to consider ESPC as the first choice to finance projects involving energy efficiency over the state's capital budget.

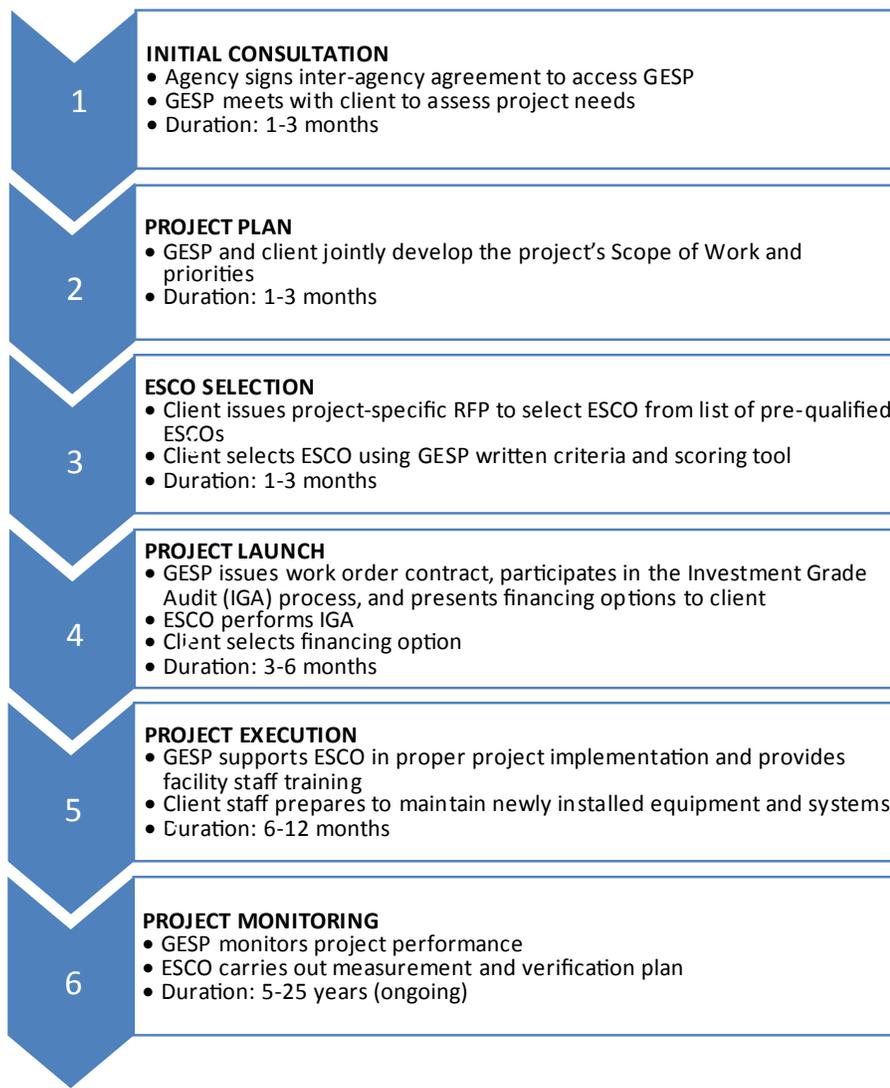
GESP also established a set of best business practices around ESPC. For example, GESP worked with the Minnesota Attorney General's Office and the Department of Administration to create a state master ESPC contract and related project procurement documents to simplify the project development process, cut transaction costs, and codify Minnesota's ESPC business standards. GESP also established a two-step request for proposal (RFP) process that first pre-qualifies ESCOs for program participation and then requires the pre-qualified ESCOs to

compete for each project separately. This approach ensures that clients work with ESCOs that have the demonstrated experience, proven results, and financial capacity to develop and implement ESPC projects.

Finally, GESP established data tracking and reporting for the program. It is critical to manage ESPC projects throughout the life of the contract and track and report Minnesota's progress toward its savings goals. Public entities already use the B3 Benchmarking Tool, a central benchmarking and tracking database. B3 tracks energy savings by individual building and state agency as well as for the overall portfolio. The system also provides extensive reporting capabilities that enable the state to communicate progress toward the state's savings goals. GESP funds have been used to make improvements to B3 to better track water efficiency savings.

How It Works

GESP organized its customized services into six steps:



These six steps illustrate the process GESP follows to support ESPC projects from start to finish. In its work with clients, GESP uses tools coming out of the Minnesota chapter of the Energy Services Coalition, a national organization dedicated to advocating the use of ESPC (ESC-MN). Specifically, GESP makes use of the voluntary standards, best practices, and ESPC educational resources developed by the chapter. More details on how GESP works and the services provided throughout the life of an ESPC project is available in the Tools and Resources section.

In addition to providing consulting and technical assistance services, GESP also organizes peer exchange discussions about ESPC successes and lessons learned at meetings of the Energy Efficiency Committee for State-Owned Buildings (EECSOB), a committee established in 2013 to replace the existing property governance team comprised of facility and financial managers from state agencies. GESP partners with the Minnesota Department of Administration to co-chair the committee, which meets quarterly to review progress and barriers to compliance with EO 11-12 and share best practices in energy efficiency. These meetings provide GESP with a forum for peer exchange about ESPC successes and lessons.

Tools and Resources



- How it works
- GESP Program Manager Job Description
- GESP Project Manager Job Description
- MN GESP Master Contract
- MN GESP Contracting Process
- Project specific RFP Template
- Work order contract
- Work order contract amendment
- Sub-contractor pre-qualification RFQ template

Outreach



Effective external and internal outreach is critical to GESP's success in marketing the benefits of ESPC and its advisory services and in persuading state agencies and local governments that they can successfully undertake ESPC projects and achieve energy savings for the state. Two of its most effective outreach channels are the Minnesota Chapter of the Energy Services Coalition (ESC-MN) and the EECSOB.

- ESC-MN promotes the use of ESPC to Minnesota's state agencies and local governments, and GESP reinforces that promotional message to the audience at monthly ESC-MN meetings.
- Through the EECSOB, GESP organizes peer exchanges among state facility managers about existing ESPC projects, best practices, and lessons learned. Periodically GESP also offers briefings on financial matters such as the Capital Budget Instructions. Quarterly EECSOB meetings serve as a direct marketing channel to the agencies for promoting ESPC and GESP services.

Tools:

- GESP Overview



Measuring Success

To accurately monitor the state's progress toward its energy savings goal, Minnesota needs to be able to measure energy consumption and savings to track and report results. The state uses three different tools to track and report the number of ESPC projects implemented via GESP, the number of buildings retrofitted, the square footage impacted, and the number of projects in the pipeline:

- **Project Development Pipeline Spreadsheet**
GESP records its projects in the GESP Project Development Pipeline spreadsheet, which is provided quarterly to the ESC-MN, EECSOB and senior state officials.
- **B3 Benchmarking Database**
The B3 Benchmarking database stores information on all state projects and tracks energy savings from a baseline for individual buildings, state agencies, and for the state building portfolio. Both clients and ESCOs can view web-based project results.
- **The Executive Order 11-12 Compliance Dashboard**
To track state agency accomplishment of EO 11-12 goals, GESP uses a dashboard that is updated quarterly and provided to state agencies and senior officials.



Outcomes

GESP is available as a resource to all state agencies, local governments, and school districts in the state of Minnesota. While no projects have completed the full six-step cycle of project development through GESP, as of fall 2014, GESP had developed a pipeline of projects at 26 sites, including more than 550 buildings and 26 million square feet, with an estimated annual savings of \$10.8 million over the next 15 years.

GESP estimates that each year, public-sector ESPC projects will impact more than 31 million feet of building space, decrease energy consumption by 2.2 percent (4.1 million MMBTU), reduce carbon emissions by 527,266 tons, and create nearly 650 jobs in Minnesota. As the 26 projects underway and future GESP-supported projects succeed, GESP is helping the state of Minnesota achieve its savings goal of 20 percent by the year 2020.