

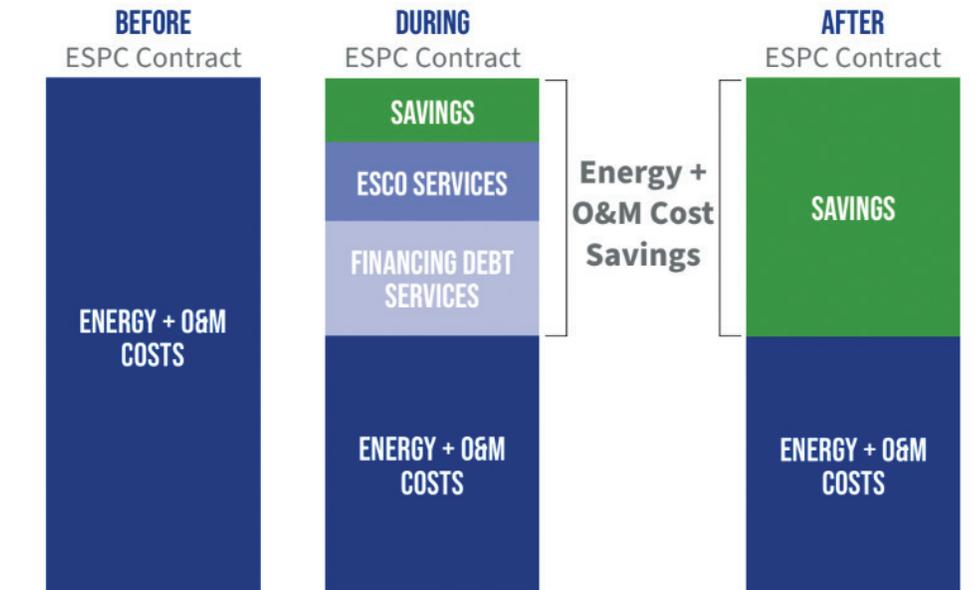
THE LOW-RISK, EASY FIRST STEP TOWARD ANY ESPC PROJECT

HOW A PRELIMINARY ASSESSMENT GIVES YOU INSIGHT INTO THE ENERGY-SAVINGS TO FUND VALUABLE BUILDING SYSTEM UPGRADES

BY CHADD CURRIER

Energy Savings Performance Contracts (ESPCs) allow public and private organizations to implement energy efficiency projects and facility improvements with limited to no upfront capital costs. An Energy Service Company (ESCO) works with the organization to identify, design, finance, and implement Energy Conservation Measures (ECMs). The annual cost savings are used to pay for the efficiency upgrades during the contract term, and any excess savings, in addition to post-contract term savings, accrue directly to the client. An ESPC involves four primary stages: Pre-Development, Development, Implementation, and the Performance Period. One of the first steps during pre-development is often a Preliminary Assessment (PA), also referred to as a Feasibility Study, to identify potential ECMs, determine project savings ranges, and an estimated project budget. Some organizations are hesitant to pursue an ESPC because of cost concerns, complexity, or uncertainty of its requirements, but the first step of an ESPC, the Preliminary Assessment, is low risk and easy to initiate.

HOW AN ESPC WORKS



WHAT IS A PRELIMINARY ASSESSMENT?

A PA is the first step of an ESPC used to determine the project opportunities and to ensure the outcomes would meet the expectations of the organization. It serves as an initial evaluation of a client's current energy usage, the condition of facility systems (like lighting, HVAC, insulation, etc.), and any potential areas for energy efficiency improvement. This may include but is not limited to, evaluating potential energy and water cost savings, energy unit savings, building conditions, energy-consuming (or water-using) equipment, and usage hours or occupancy.

The objective is to give the client enough information to make a confident decision about proceeding with an ESPC.

WHAT IT IS	WHAT IT IS NOT
A high-level audit and data provided description of a feasible project based on the ESCO's walkthrough	A detailed audit and proposal
Expected to give client enough information to make a confident decision about proceeding	Expected to be exact in pricing and savings, or to reflect a complete evaluation

A PA takes about 30 days to complete. During this time, the ESCO conducts site visits, catalogs data, and creates a document summarizing the entire assessment.

WHY ARE PRELIMINARY ASSESSMENTS LOW RISK?

There are many advantages to choosing to conduct a PA. Most significantly, it is both easy and low risk because:

1. No Upfront Financial Commitment or Investment by the Client

ESCOs typically offer PAs for little to no cost to the client. Thus, organizations can explore the potential for an ESPC without committing to a significant financial investment. Since ESCOs have a vested interest to deliver the most energy savings as possible, the client can be assured that the assessment is targeted toward the clients needs and achievable.

2. No Obligation to Follow Through with Assessment Results (Go/No-Go Decision)

At the conclusion of a PA, organizations are not bound to proceed with the suggested improvements or the project. There is no financial penalty or long-term commitment for choosing to not proceed with the project. Thus, risk is significantly minimized with the implementation of the PA.

3. Data-Driven Decision Making

It provides the client valuable data to make an informed and confident decision to take action. If the organization elects to go through with the proposed ESPC, the client can feel confident in their decision with the support of site-specific data as justification. In the event that the organization does not go through with the ESPC, the organization still gains an immense amount of data about its facilities. Either scenario results in benefits for the organization.

4. Limited Facility Disruption

It is a straightforward process, requiring limited time by your staff and minimal disruption to the client's facilities, and significantly aids in the decision process.

5. Quick Identification of Benefits and Low-Cost Improvements

Additionally, it may help gauge the return on investment before any work begins based on energy savings projections and financial analysis. It reveals a range of simple to complex improvements that yield immediate energy savings. Additionally, the client can establish a good long-term partnership with the ESCO by being able to provide feedback on the outcome of the PA.

OUTCOMES OF THE PRELIMINARY ASSESSMENT

By the end of the assessment, the client should have a clear understanding of the recommended ECMs, potential savings, technical feasibility, and a preliminary financial overview of the project. After reviewing the contents of the PA, the following options are available for the organization:

1. Go Decision — The organization reviews the plans outlined in the assessment and elects to proceed with the ESPC. An Investment Grade Audit (IGA) then occurs with this information, confidence, and outline regarding the project.

2. Modification of ESPC — The customer's team reviews the plan outlined in the assessment and provides inputs and preferences that align with their energy goals and requirements.

3. No-Go Decision — The organization reviews the plan outlined in the assessment and decides to not proceed with the ESPC. However, the organization leaves with valuable data and recommendations for their facilities.

The PA is the "easy" and "low risk" entry point into an ESPC project. It serves as a stepping stone, providing valuable insights into energy-saving opportunities without significant financial or operational risks. By understanding the potential benefits and feasibility upfront, organizations can make confident, informed decisions about whether to move forward with more extensive energy efficiency projects. It's the perfect first step for those looking to reduce energy costs, improve sustainability, and ensure long-term savings with minimal initial risk. 🌟



CHADD CURRIER, VICE PRESIDENT OF BUSINESS DEVELOPMENT, CEG SOLUTIONS

CEG Solutions (CEG) is a national leader in energy savings performance contracting. CEG partners with clients to deliver comprehensive solutions that improve energy and water efficiency, enhance energy security, protect the environment, and save money. As a turnkey design-build contractor, CEG identifies, designs, engineers, and implements these solutions at little to no upfront cost to your organization.

Contact Chadd Currier to learn more at chadd.currier@cegsolutions.com.

