



A R M Y ACQUISITION REFORM



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Energy Savings Performance Contracting (ESPC) Reduces Costs and Increases Efficiency

Energy Savings Performance Contracting (ESPC), a contracting procedure in which the contractor implements energy conservation and cost saving measures in exchange for a share of the dollar savings that result from those measures, generated over \$32 billion in savings for the government.

The US Army Engineering and Support Center, Huntsville, recently awarded a \$1.1 billion contract to a dozen commercial firms across the country in an innovative effort to save energy dollars and increase energy efficiency. This energy savings performance contract can provide energy reduction efforts to any government facility in 46 of the 50 states, plus the District of Columbia and Puerto Rico. It is the largest energy savings contract ever of its type. The other four states (VA, NC, SC, and GA) are covered under a previous \$355 million contract. This contract is an innovative partnership among the Corps of Engineers' Huntsville Center, a government facility and private industry. In this type of partnership, the contractor provides the design, capital investment, construction, operation and usually the maintenance for new energy efficient equipment, products, or services. An Army installation or any government facility such as a state college, a Veterans Administration hospital or a city hall no longer has to come up with tax dollars to repair, replace, and maintain resources needed to reduce energy consumption. The contractor provides the investment needed for the resources and then receives a profit from the energy savings the project generates. The resulting savings is shared between the government and the contractor. There is a 25-year contract term with a maximum ten-year ordering period for a potential \$1.1 billion. This means it is a stable contract that will allow private industry the opportunity to come into a government building and make major energy conservation efforts over the long term. Since this contract includes any government facility in 46 states, several contractors are needed to maintain responsiveness, resulting in the award of 11 contracts (ten unrestricted plus one for small business).

The Army is using this innovative tool at nine other locations to accomplish energy saving projects, acquire new equipment and to reduce operation, maintenance and utility costs. Several other contracts are under development. For more information on ESPC contracting, contact Mr. Qaiser Toor at (703) 428-8030 (DSN 328).