

ENERGY SAVINGS PERFORMANCE CONTRACT FREQUENTLY ASKED QUESTIONS

What is an Energy Savings Performance Contract (ESPC)?

The Board of Water Supply (BWS) has entered into a 20-year, \$33 million ESPC with NORESKO LLC. An ESPC is an innovative contract method for government agencies to achieve energy savings by allowing for a long-term partnership with an energy service company (ESCO) to facilitate and accelerate energy conservation measures, or ECMs. The purpose of ECMs are to generate enough cost savings to cover project costs over the term of the contract. The ECMs were developed by NORESKO LLC., after it conducted a comprehensive energy audit to identify energy saving opportunities for the BWS. The BWS is the first county water utility in Hawaii to execute an ESPC.

How is the ESPC going to be financed?

The cost for the \$33 million ESPC is being financed by a low-interest loan from the Drinking Water State Revolving Fund, managed by the State of Hawaii Department of Health. The loan will be paid back by the approximately \$3.3 million annual savings in energy costs after the implementation of various ECMs. The interest rate for the loan is one percent.

What is the process that the BWS followed for the ESPC?

The BWS followed the process outlined in the State Procurement Office Vendor List Contract No. 12-11, which can be found on the State Procurement Office website.

What are the benefits to the BWS?

- The ESPC will help the BWS better manage rising operating costs.
- Under the terms of the contract, NORESKO guarantees the BWS energy savings from the installation of the EMCs. If the savings are not realized, then NORESKO must reimburse the difference between the guaranteed amount and the verified amount to the BWS.
- Additional benefits of the ESPC include putting the BWS in alignment with Bill 64, signed by Honolulu Mayor Kirk Caldwell in November 2015. Bill 64 facilitates the construction, installation, and operation of solar photovoltaic systems at City and County of Honolulu buildings.
- The ESPC also supports the State's goal to achieve 100 percent renewable energy by 2045.

How much energy savings is expected?

NORESKO guarantees a reduction of the BWS's annual electrical usage by about 8 million kilowatt hours (kWh), or 9 percent of the BWS's total purchased electricity through the installation of the following ECMs:

- Photovoltaic systems at 38 sites with facility upgrades and renovations (5,265,850 kWh savings);
- Energy efficient pumps in four major production wells (1,348,979 kWh savings);
- Energy efficient lighting at BWS facilities (717,027 kWh savings); and

- Energy efficient air conditioning upgrades and controls (661,518 kWh savings).

When will the ECMs be installed?

The installation of the ECMs are expected to begin later this calendar year, construction will last for approximately three years.

Will the ESPC affect water rates?

Any costs savings from the ESPC will be reinvested in additional energy-savings projects and will not affect water rates. Throughout the duration of the current ESPC, the BWS will continue to look at renewable energy opportunities to further manage energy use and control operating costs.

Are other government agencies using ESPCs?

ESPCs are currently being used by the Hawaii State Department of Accounting and General Services, Hawaii State Department of Transportation, Hawaii State Department of Public Safety, and the City Department of Environmental Services, to name a few.