

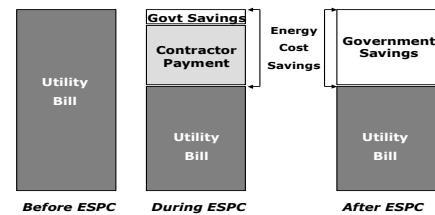
Testimony Summary

Mark Wagner, Johnson Controls, for the Federal Performance Contracting Coalition
"Strategic Petroleum Reserve Discussion and Title IV Energy Efficiency"
House Subcommittee on Energy and Power – April 30, 2015

Federal Performance Contracting Coalition (FPCC) represents 10 major Energy Service Companies performing **Energy Savings Performance Contracts (ESPCs)** for the Federal Government. (Ameresco, Constellation Energy, Energy Systems Group, Honeywell, Johnson Controls, Lockheed Martin, Noresco, Schneider Electric, Siemens Government Technologies and Trane/Ingersoll Rand.)

ESPCs are a win-win solution for federal agencies

Energy service companies leverage private sector capital to install new energy efficient equipment at no upfront cost to the government. We measure, verify and guarantee the energy savings. The private sector investment is paid off using the utility bill savings. The government lowers its energy use, gets new efficient equipment and never pays more than it would have paid for utilities.



The FPCC supports:

H.R.1629: The Energy Savings Through Public-Private Partnerships Act of 2015 – This legislation will help ensure that federal agencies are utilizing to the fullest extent possible all cost-effective measures for energy conservation. It streamlines the ESPC statute providing consistency and clarification and it promotes transparency and accountability across the government. Last Spring this legislation was approved by the Energy and Commerce Committee.

H.R. 1268: Energy Efficient Government Technology Act – This legislation will clarify the use of ESPCs for efficiency gains in data centers which are extremely energy intensive.

H.R. 2351: Repeal Federal Building Fossil Fuel Reductions – We are supportive of this repeal packaged together with extended energy efficiency goals for the government which currently expire at the end of this year.

H.R. 1630: Utility Energy Service Contract Improvement Act – We support long term Utility Energy Service Contracts that include measurement and verification of energy savings, as well as a guarantee or assurance of savings.

Other Important provisions that should be considered:

- Change “may” to “shall” in EISA 432 to ensure the government acts on cost effective savings
- Extension of energy efficiency goals for the federal government which expire this year
- Ensure that agencies set ESPC goals and annually report on progress
- Add alternatively fueled vehicles and their infrastructure measures allowed under ESPCs

Resolve the scoring problem for ESPCs – CBO scores any attempt to update the ESPC statute. Members of the Committee have tried to resolve the situation. The Senate budget contains a fix to the scoring problem for Senate legislation. We encourage you to continue to pursue annualized scoring for ESPCs.

**Testimony of Mark Wagner,
Vice President, Government Relations, Johnson Controls, Inc.
On behalf of the Federal Performance Contracting Coalition (FPCC)
Before the Subcommittee on Energy and Power
House Energy and Commerce Committee
“Strategic Petroleum Reserve Discussion Draft and Title IV Energy Efficiency”
April 30, 2015**

Chairman Whitfield, Ranking Member Rush and members of the Subcommittee, thank you for inviting me to testify today supporting energy efficiency legislation, specifically H.R.1629, the Energy Savings Through Public-Private Partnerships Act of 2015.

I am Mark Wagner, Vice President, Government Relations of Johnson Controls, Inc., and I am representing the Federal Performance Contracting Coalition (FPCC), which is a national industry coalition comprised of Energy Service Companies advocating for increased Federal use of Energy Savings Performance Contracts (ESPCs). Our coalition focuses exclusively on federal use of ESPCs and has spent time over the last sixteen years removing congressional and administrative barriers to usage, extending necessary authorities, educating about ESPCs and otherwise encouraging their use as a means for saving the government money on both energy and infrastructure. For the last few years we have worked closely with Congressmen Adam Kinzinger and Peter Welch to advance Federal use of ESPCs.

FPCC members have delivered approximately 95 percent of Federal Energy Savings Performance Contracts. This coalition is comprised of companies such as Ameresco, Constellation Energy, Energy Systems Group, Honeywell, Johnson Controls, Lockheed Martin, Noresco, Schneider Electric, Siemens Government Technologies and Trane/Ingersoll Rand.

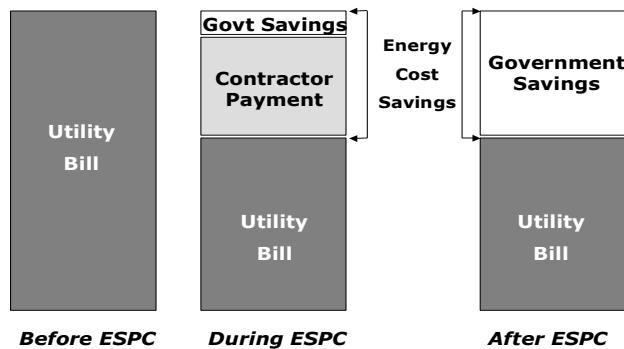
I am here today to discuss the benefits of promoting Energy Savings Performance Contracting (ESPC) in the federal government and the FPCC's support for H.R.1629, the Energy Savings Through Public-Private Partnerships Act of 2015, as well as other provisions in your draft.

Background: Energy Savings Performance Contracting

As the nation's single largest energy consumer, the Federal government spends more than \$7 billion annually on facility energy costs. Energy efficiency improvements can reduce this expenditure and help agencies acquire necessary infrastructure and equipment. In 2007, the Energy Independence and Security Act required federal agencies to perform energy audits of their facilities. With only half of the buildings audited in 2013, approximately \$9 billion worth of energy conservation measures with a ten year payback or less had been identified. There is clearly a vast opportunity for energy efficiency across the Federal government at a time of reduced discretionary funding.

ESPCs and Utility Energy Service Contracts (UESCs) can fill this funding gap. For more than 20 years, performance-based contracts for energy savings have provided critical upgrades to federal buildings, including the House and Senate Office Buildings and the U.S. Capitol.

How do ESPC's work?



Under ESPCs and UESCs, private-sector Energy Service Companies finance and install new energy efficient equipment at no upfront cost to the federal government. Federal agencies repay this investment over time with funds saved on utility costs. The private sector contractors measure, verify and guarantee these energy savings. Private-sector financiers provide the capital, which today is available at historically low interest rates. By law, and on a negotiated basis, the government never pays more than it would have paid for utilities if it had not entered into an ESPC. In fact, a June 2013 Oak Ridge National Laboratory study found that under ESPCs, federal agencies are saving an average of nearly twice the amount of energy as is guaranteed by the contractors. ESPC retrofits also address years of deferred maintenance at federal facilities at no additional cost to taxpayers. For these reasons, ESPCs have proven to be a highly successful tool to implement comprehensive energy efficiency projects.

Using an ESPC or UESC in the Federal government eliminates the need for appropriated dollars for equipment replacement and for operations and maintenance of the energy using equipment. According to the Federal Energy Management Program (FEMP), approximately 600 performance contracts worth \$5.3 billion have been awarded throughout 25 Federal agencies and in 49 states. These projects have resulted in energy savings valued at \$13.1 billion, of which approximately \$10.1 billion went to repay project investments, accruing a net savings of \$3 billion to the federal government.

President Obama announced a Directive ordering federal agencies to enter into \$2 billion worth of performance-based contracting for energy savings over a two year period. After hearing from 179 Members of Congress and Senators, led by the Energy Savings Performance Caucus, he extended that commitment to \$4 billion over five years. The Caucus, chaired by Representatives Kinzinger and Welch has been tireless in supporting Federal ESPCs, by supporting positive administration efforts, legislative barrier removal

and efforts to address differences between the Office of Management and Budget and the Congressional Budget Office in scoring ESPC provisions.

Fort Bliss ESPC Example

Let me take a moment to provide an example of an ESPC and its benefits. Johnson Controls has been helping Fort Bliss, one of the U.S. Department of Defense's largest military installations, become more energy efficient and secure. Through our ESPC work at Fort Bliss in El Paso, Texas, we have invested over \$100 million dollars in private sector capital for energy efficiency improvements to:

- Update utility monitoring and controls systems to manage energy use in 120 buildings;
- Upgrade to energy efficient lighting;
- Replace electric motors;
- Install a new reciprocating chiller and solar thermal water heating technologies;
- Improve building insulation;
- Develop a program to reduce electricity during peak demand periods; and
- Install 4.75 megawatt of photovoltaic arrays consisting of 5,500 solar panels.

These and other initiatives will help the base save \$150 million over 20 years.

We are also working with the installation on technology for a microgrid to maintain critical loads in the event of an adverse occurrence on the grid. All of this is part of the Army's Net Zero energy initiative at Fort Bliss.

B.J. Tomlinson, renewable energy and sustainable engineering program manager at Fort Bliss, sums it up this way: "Improving a building envelope, reducing load and demand footprint, and producing renewable, sustainable energy save money to be sure. But the greener you make your buildings, and the more resilient they become closes the gap between what the grid provides and what you need to operate independently of the grid."

This is just one example of many ESPCs that provide multiple benefits to Federal agencies and taxpayers. Now I would like to address several provisions included in the discussion draft.

Energy Savings Through Public-Private Partnerships Act of 2015 (H.R.1629)

H.R. 1629, introduced by Energy and Commerce members, Representative Adam Kinzinger (R-IL) and Peter Welch (D-VT) will help ensure that federal agencies are utilizing to the fullest extent possible all cost-effective measures for energy conservation. Identical legislation was introduced in the Senate by Senators Cory Gardner (R-CO) Chris Coons (D-DE.) Last spring, the Energy Savings Through Public-Private Partnerships Act of 2014 was approved by the Energy and Commerce Committee.

The legislation promotes transparency and accountability across the federal government, clarifies the ESPC statute, and will further enable federal agencies to maximize their present energy efficiency contracting authorities. The legislation streamlines the ESPC statute providing consistency and clarification within the existing ESPC law to:

- Require a report to Congress on the status of each agency's energy-related performance contracts, the value of these contracts for the previous year, the goal for the coming year, and an explanation by the agency about why goals were or were not met;
- For projects discovered in the energy audits required by section 432 of EISA 2007, agencies must explain why any life cycle cost effective measures were not implemented using U.S. Department of Energy developed guidelines. This will encourage agencies to act on their mandated audits;

- Clarify that agencies cannot arbitrarily limit use of energy-related operations and maintenance savings in an ESPC, a provision that will facilitate use of ESPCs for data center consolidation;
- Make consistent the definition of a federal building within federal energy provisions of law;
- Clarify in federal energy statute that plug loads are allowable energy conservation measures, another provision to clarify use of ESPCs for data centers; and
- Clarify as energy savings the use, sale or transfer of energy incentives, rebates, or credits (including Renewable Energy Credits) from federal, state, local governments or utilities and any revenue generated from a reduction in energy use; more efficient waste recycling; or more energy generated from more efficient equipment.

As mentioned previously, this bill passed the Energy and Commerce Committee last year.

Energy Efficient Government Technology Act (H.R. 1268)

This bill, which encourages the Federal government to harness information technologies and data centers for improved energy performance and efficiency, also passed the Committee last year. Among other things, it clarifies the use of ESPCs for efficiency gains in data centers, which are extremely energy intensive. ESPCs can reduce that energy use by upwards of 75%-- all paid for from energy savings alone.

Repeal Federal Building Fossil Fuel Reductions (H.R.2351)

We are supportive of this repeal, packaged together with extended energy efficiency goals for the government, which currently expire at the end of this year. We would commend to you S. 869, sponsored by Senators Hoeven and Manchin that replaces the fossil fuel reduction mandate (433 of EISA) with several federal energy efficiency provisions that

would further encourage and utilize energy savings performance contracting. The FPCC was involved in negotiating this package. We would hope that the House, as well as the Senate, can support the provisions within it. The extended energy efficiency goals in this bill could be extended beyond the two years provided for in the package.

Utility Energy Service Contract Improvement Act (H.R.1630)

We support long term Utility Energy Service Contracts that include measurement and verification of the energy savings, as well as either a guarantee of savings or assurances thereof. This ensures that the Federal government will achieve intended energy and cost savings.

Other Important Provisions that should be considered

There are some additional pieces of legislation that are being considered by various members of Congress and which we would wholeheartedly support. These include:

- Changing “may” to “shall” in EISA 432, which would ensure that the government act on any cost effective energy efficiency upgrades. The provision in EISA was originally written this way but was changed because of a score from the Congressional Budget Office;
- Long term extension of energy efficiency goals of the federal government, which have been in statute for over a decade and expire at the end of this year. These goals are an important driver of energy efficiency delivered by ESPC and UESC;
- Ensuring that agencies set ESPC specific goals each year and report on their progress; and
- Add alternatively fueled vehicles and their infrastructure to allowable measures under energy savings performance contracting (ESPCs).

Scoring of ESPCs

As many of you are well aware, Energy Savings Performance Contracting has triggered a Congressional Budget Office (CBO) score since 2002 whenever Congress attempts to update the underlying ESPC statutory authority or generally legislate for federal energy efficiency. This scoring situation stalled last year's version of H.R. 1629 and we very much appreciate all the help from members of the Energy and Commerce Committee and from Chairman Upton in particular, to try to address scoring of ESPCs. Most recently, we want to thank the eight members of the full Committee who wrote to budget conferees to request that they retain the Senate provision fixing the ESPC scoring problem. Led by Caucus Chairmen Kinzinger and Welch, these are Chairman Upton and Representatives Shimkus, Castor, McKinley, Yarmuth and Cardenas.

We encourage you to continue to pursue annualized scoring for ESPCs.

In summary, ESPCs and UESCs are private sector financing mechanisms that allow the federal government to increase its energy efficiency, decrease their energy costs without upfront appropriations and address deferred maintenance. Most importantly, the savings are guaranteed by the contractors. These contracts have delivered more than \$7 billion in energy related savings to the Federal government alone and significant additional opportunities abound. Passage of the Energy Savings Through Public-Private Partnerships Act of 2015 is key in supporting the ability of federal agencies to leverage the private sector for energy savings without relying on appropriated funds.

Chairman Whitfield, Ranking Member Rush and members of the Subcommittee, thank you for allowing me the opportunity to testify before you today. I stand ready to answer any questions you might have.