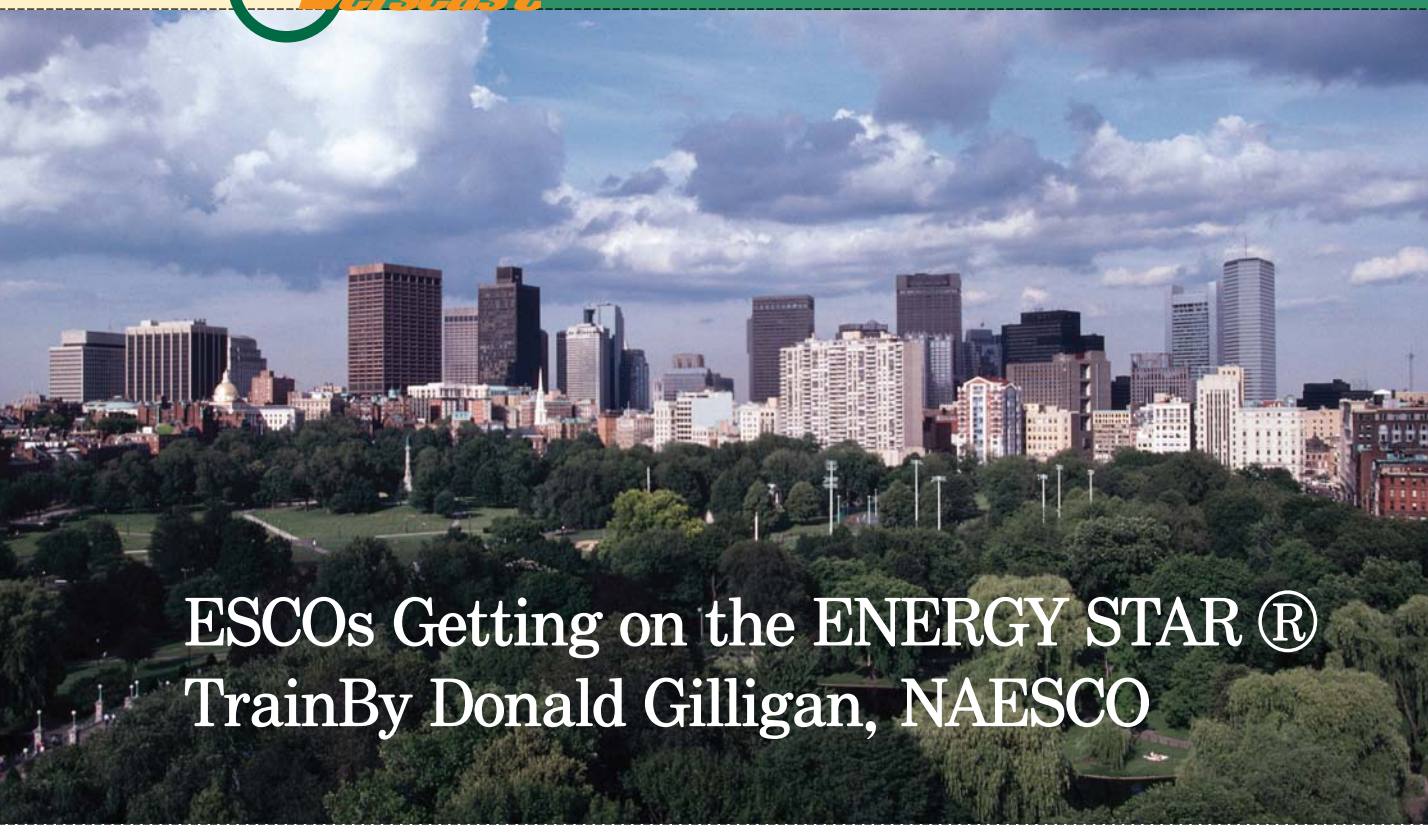

# ESCOs Getting on the ENERGY STAR ® TrainBy Donald Gilligan, NAESCO

One of the exciting developments at the recent NAESCO Annual Conference in Las Vegas was the enthusiasm of many NAESCO members for the ENERGY STAR commercial buildings program. For the last three years, NAESCO has worked with the U.S. Environmental Protection Agency (EPA) to promote the program to our membership as a valuable standard for the energy services industry, as a brand name and as a project development, documentation and recognition tool.

## The ENERGY STAR Brand

ESCOs are familiar with ENERGY STAR as a brand name. We would not buy a major home appliance or piece of office equipment that did not have an ENERGY STAR label because the label is an assurance of superior functionality as well as energy savings. But some in our industry may not be aware that we do have an equivalent brand name in the energy services business, an easy-to-recognize brand that we can use to distinguish efficient buildings from inefficient buildings, and to recognize building owners who have achieved a superior level of energy efficient performance.

Some of our members have commented about the success of the U.S. Green Building Council in the establishment of the LEED brand for "green" buildings. However, our members have much to gain from promoting the ENERGY STAR label the way that USGBC members promote the LEED label. The fact is that for all the publicity around LEED, there are actually very few LEED-certified buildings in the U.S. today, because the LEED certification process is expensive and cumbersome. Moreover, energy efficiency is only one of the five LEED


certification categories so it is not what the investment community calls a "pure play" in terms of identifying highly efficient buildings. In fact, there is debate whether the LEED certification gives enough weight to energy efficiency in its total rating calculation.

There are over 2600 buildings that qualify for the ENERGY STAR label. Our members need to work with their customers to take their buildings through the process of being labeled as an ENERGY STAR building. The NAESCO Board of Directors recognized this shortfall, and decided that as an industry we should work to promote the ENERGY STAR brand in our advertising and promotion. ESCOs had a lot of success a decade ago using the EPA Green Lights brand promotion to build customer awareness and sell projects. We can now do the same with ENERGY STAR, except that we are no longer promoting a single technology as we did with Green Lights, but rather comprehensive long-term building improvements for which the ENERGY STAR brand stands.

During 2006, NAESCO will work with its member ESCOs and EPA to develop strategies to promote the ENERGY STAR brand in conjunction with promoting energy efficiency project implementation across multiple building sectors.

ENERGY STAR for Project Development

Many NAESCO members are now using ENERGY STAR tools as a standard element in their project development processes. During the recent Annual Conference, NAESCO and EPA interviewed three ESCOs in some detail about their use of ENERGY STAR tools. All three ESCOs routinely use ENERGY STAR Portfolio Manager to rate the energy performance of potential customers.

- A small ESCO uses ENERGY STAR ratings to establish its credibility as it competes against larger companies. An ENERGY STAR rating is part of every feasibility study this ESCO delivers.

- A medium-sized ESCO uses ENERGY STAR ratings to quickly analyze a portfolio of customer buildings, and to push the customer to act in order to improve its low ratings. This ESCO also rates every applicable customer building as part of its feasibility studies.

- A large ESCO uses ENERGY STAR for customers who would like to establish their "green" credentials, but that find LEED certification too expensive and who think that the ENERGY STAR focus on improving energy performance over time is a better strategy than securing LEED certification.

In fact, both EPA and NAESCO believe that since ENERGY STAR ratings have become an


ESCO industry standard, it is no longer necessary for NAESCO to offer special training in the use of the tools to its members. Training, of course, will still be available in regularly scheduled webinars offered by EPA for any member who needs it. Instead during 2006, NAESCO will work with EPA to integrate requirements for ENERGY STAR ratings into standard public sector RFPs, so that eventually every public sector feasibility study or investment grade audit will include pre-project and estimated post-project ENERGY STAR ratings.

Robert Sauchelli, ENERGY STAR Buildings National Program Manager, recently told the NAESCO Board that at least eight NAESCO member are among the 37 most active users of ENERGY STAR ratings for their customers, and that several NAESCO members already are offering services to automate the rating of hundreds or thousands of customer buildings. Bob suggested that this service will increasingly be an important competitive tool for ESCOs to distinguish themselves in the marketplace.

ENERGY STAR as a Documentation and Recognition Tool

ESCOs are also catching on to the value of ENERGY STAR as a tool to document project or program success. We already know that customers whose buildings achieve ratings or 75 or better can receive ENERGY STAR labels, and will be recognized by EPA for a commitment to environmental quality. ESCOs who achieve labels for a number of their customers also can achieve special recognition from EPA. Designations such as "Partner of the Year" or as the quarterly featured Service and Product Provider strengthens a company's credentials with its customers. And, the ENERGY STAR label is not the only recognition that a building owner or ESCO can achieve since EPA offers other awards for single buildings or building portfolios that achieve a rating improvement of ten points or better.

During 2006, we will see EPA extend ENERGY STAR recognition beyond individual buildings, or even portfolios of buildings, into the recognition of large-scale state or utility programs that achieve substantial improvements. ESCOs know all too well how difficult it is to report project savings in simple and accurate terms. ESCOs have developed very successful project M&V protocols that prove energy savings to customers. Unfortunately these protocols are also so complex that it takes a specialized ESCO staff to use them and significant customer effort to understand them.

ESCOs can imagine the difficulty faced by utility program managers trying to report on the results of a program involving hundreds of individual ESCO projects, all of which involve sophisticated M&V protocols, which, of course, differ between projects depending on which ESCO delivered the project. As utility programs

consume hundreds of millions of ratepayer dollars, utilities need a simple way to measure and document program successes to the regulators and the public. ENERGY STAR ratings can solve this problem by providing a common methodology to document success. For example, a utility manager running a hospital program could document program results as an improvement in the aggregate rating of the entire fleet of hospital buildings in its service territory.

ENERGY STAR ratings are not a substitute for the contractual M&V and reporting requirements between the ESCO and its customer nor replace the M&V protocols and systems that ESCOs have developed as the basis for customer payments. The ENERGY STAR ratings instead complement the ESCO requirements and protocols with a reporting tool that is useful for different audiences.

## Looking Ahead

As we turn the corner into 2006, NAESCO can see the momentum behind building industry recognition of ENERGY STAR as a market opportunity. By the end of the year, we expect to see the ENERGY STAR brand emerging as a real force in the building marketplace, and the ENERGY STAR tools to be in daily use throughout the ESCO community. We are excited about this prospect, because we believe that the ENERGY STAR brand will help build the ESCO market for years to come. For further information about the ENERGY STAR commercial buildings program, please do not hesitate to contact NAESCO directly or the ENERGY STAR website at **http://www.energystar.gov.**

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