Federal Performance Contracting Coalition (FPCC)
Dane Farrell – Director, Government Affairs
Outside Witness Testimony Addressing the U.S. Department of Energy
Prepared for the Subcommittee on Energy and Water Development
Committee on Appropriations
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Chair Feinstein, Ranking Member Kennedy, and members of the Subcommittee, as you deliberate on the important programs to be funded in the FY23 appropriations bills, we respectfully request that $100 million be allocated to the Federal Energy Management Program (FEMP) within the Office of the Under Secretary Infrastructure (formerly within the Office of Energy Efficiency and Renewable Energy) at the U.S. Department of Energy (DOE), with $60 million designated to the Federal Energy Efficiency Fund, also known as Assisting Federal Facilities with Energy Conservation Technologies (AFFECT) grant program. We also request the following report language be included:

"The Committee recommends $100,000,000 for the Federal Energy Management Program. The recommendation provides not less than $60,000,000 for the Department to continue its work through the Assisting Federal Facilities with Energy Conservation Technologies (AFFECT) program. The Committee directs FEMP to continue requiring all AFFECT grant funding to be leveraged through private sector investment in federal infrastructure to ensure maximum overall investment in resiliency, efficiency, emissions reductions, and security. Funding should be directed to projects that attract at least ten dollars for each federal dollar invested and that utilize public-private partnerships like energy savings performance contracts (ESPCs) and utility energy service contracts (UESCs)."

In FY2022, Congress graciously directed $20 million for the AFFECT program. This small amount of funding allows agencies to continue to address resiliency as well as backlog maintenance, critical upgrade and maintenance needs, and other infrastructure on our federal sites such as military bases, VA hospitals, and GSA buildings. The FPCC knows that we can address such critical infrastructure needs using fewer dedicated federal dollars through performance contracting, and the AFFECT program facilitates just that.

The FPCC believes that using just a nominal amount of appropriated dollars for critical priorities such as cybersecurity, resiliency, and net-zero/deep energy efficiency retrofits will net:

- Additional private-sector dollars invested in the federal government,
- Improved federal facility resiliency,
- Significant energy cost savings,
- Emissions reductions while addressing critical infrastructure failures, and
- Enhanced attention to ongoing operations and maintenance and regular equipment replacement costs

In fact, fewer dollars need to be appropriated overall if they are leveraged with private sector dollars. Leveraging allows precious federal resources to focus on core mission objectives and transfers project execution risk to the private sector.

FEMP is the appropriate place for these dollars as they will be available to leverage performance contracting for all federal agencies. FEMP has provided small amounts of appropriated dollars to leverage performance contracting through the AFFECT grant program for the past several years. The $11 million appropriated in FY2021 resulted in DOE investing a total of $13 million in AFFECT funding in 17 federal agency projects that, when combined with the investment from the private sector, are expected to surpass $737 million in infrastructure improvements. Congress further recognized the benefit of this program by providing it with $250 million in one-time funding through the bipartisan infrastructure law – and make no mistake: when considering the substantial amount of derelict and outdated infrastructure in federal facilities, these dollars are needed more than ever to meet requirements to improve energy and water utilization and site resiliency. Performance contracting projects, which focus on new technologies and resiliency, will help agencies across the federal government address backlog maintenance, which the Office of Management and Budget (OMB) estimates is $174 billion government-wide. At a minimum, it would specifically address the $7.2 billion in cost-effective energy-related backlog maintenance already identified in Congressionally mandated audits (EISA 2007, Section 432), which must now be addressed after the passage of the Energy Policy Act of 2020.

FEMP, with minimal funding, supports all agencies of the federal government in their quest to become more efficient, resilient, and secure and to reduce greenhouse gas emissions. The FEMP function of assisting all federal agencies allows them to achieve these goals while saving money for the American taxpayer, improving aging infrastructure, and addressing deferred maintenance. FEMP also plays the critical role of trainer, facilitator, and honest broker for all federal facilities wishing to address necessary facilities- and energy-related infrastructure.

As the single largest U.S. energy consumer with more than 360,000 buildings and structures comprising 3 billion square feet, the federal government has a significant opportunity and responsibility to lead by example through demonstrating and deploying energy and water conservation best practices and technology solutions. FEMP is at the forefront of responding to Administration priorities, statutory requirements, and Federal agency needs while helping to maintain resilient, efficient, and secure installations for mission assurance. FEMP assists federal agencies with various needs, including technology development and integration, infrastructure improvements, energy project development and implementation assistance, and workforce development.

Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs) are alternative financing methods created by Congress that utilize private sector resources and capabilities to complete federal energy projects. Under an ESPC, a private company finances and implements an energy savings project for a federal agency, measures and verifies that the installed measures are working as promised, and guarantees that energy savings will accrue. The private sector is then repaid over time through the savings on the customer's utility bill. As such, these contracts allow federal agencies to address critical maintenance backlogs and infrastructure needs with no added expenditures by the Federal government. According to FEMP, DOE IDIQ ESPC projects have achieved over $17.7 billion in guaranteed energy savings across the federal government and generated investments of $7.8 billion in federal energy efficiency and renewable energy improvements. These projects have resulted in

approximately 615 trillion Btu in life cycle energy savings for the federal government, demonstrating their effectiveness as a tool to improve the nation's energy independence and security posture.

FEMP's role is essential. It provides training, guidance, and technical assistance to help agencies achieve their energy, water, and carbon reduction goals. Additionally, FEMP provides oversight of every ESPC for the life of the contract. Because agencies are short on personnel, this is a critical function to ensure dollars are well spent and maximize environmental impact. Utilizing performance contracting to address infrastructure improvements instead of using appropriated funds for direct services is a commonsense approach that reduces risk to the federal government and ensures that projects are well managed since the private sector partner must guarantee performance to get paid.

In past years, when appropriated dollars have been scarce, FEMP funding has leveraged between $800 million and $1.4 billion in private investment in federal infrastructure with no added cost to the federal government, using money from existing funding streams. A 2013 report by the Oak Ridge National Laboratory (ORNL) titled *Beyond Guaranteed Savings: Additional Cost Savings Associated with ESPC Projects* found that for a typical ESPC, the actual cost savings to the federal government is 174% to 197% of the guaranteed savings by the contractor.

The members of the Federal Performance Contracting Coalition (ABM, AECOM, Ameresco, CEG Solutions, Constellation, Energy Systems Group, Honeywell, Johnson Controls Inc., NORESCO, Schneider Electric, Siemens, Southland Energy, and Trane) know firsthand how impactful ESPCs are in saving energy costs, taxpayer money, and creating jobs in every state in the country. Our members represent approximately 90% of the Energy Savings Performance Contracts (ESPCs) in federal facilities. They are committed to working with Congress and the Administration to facilitate more, faster, bigger, and better ESPC projects. Thank you for your consideration of our request.