FPCC
FEDERAL PERFORMANCE CONTRACTING COALITION

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April 17, 2024

The Honorable Patty Murray
Chair
Subcommittee on Energy and Water
Senate Committee on Appropriations
142 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Chuck Fleischmann
Chairman
Subcommittee on Energy and Water
Development, and Related Agencies
House Committee on Appropriations
2362-B Rayburn House Office Building
Washington, DC 20515

The Honorable John Kennedy
Ranking Member
Subcommittee on Energy and Water
Senate Committee on Appropriations
142 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Marcy Kaptur
Ranking Member
Subcommittee on Energy and Water
Development, and Related Agencies
House Committee on Appropriations
1036 Longworth House Office Building
Washington, DC 20515

Chair Murray, Chairman Fleischmann, Ranking Member Kennedy, and Ranking Member Kaptur:

As you begin deliberations on the essential programs to be funded in the FY25 appropriations bills, we write to you on behalf of the Federal Performance Contracting Coalition (FPCC). We respectfully request that **$70 million be allocated to the Federal Energy Management Program (FEMP)** within the Office of the Under Secretary Infrastructure and appropriated under the Energy Efficiency and Renewable Energy (EERE) Account at the U.S. Department of Energy (DOE), with **at least $20 million designated to the Federal Energy Efficiency Fund, also known as Assisting Federal Facilities with Energy Conservation Technologies (AFFECT) Program**. The FPCC is a group of Energy Service Companies (ESCOs) advocating for increased Federal use of energy savings performance contracts (ESPCs).

In FY2024, Congress graciously directed $14 million in funding for the AFFECT program. This modest 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 we can address such critical infrastructure needs using fewer dedicated federal dollars through performance contracting, which AFFECT facilitates. 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, maintenance, and regular equipment replacement costs

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. Lowering federal utility bills should be a priority in the current budget climate. FEMP plays a crucial role in administering public-private partnerships, and every dollar provided to FEMP leverages between $28-$55 in private investment for federal infrastructure, with no added cost to the government.

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FEMP is the appropriate place for these dollars as they will be available to leverage performance contracting for all federal agencies. For the past several years, FEMP has provided small amounts of appropriated dollars to leverage performance contracting through the AFFECT grant program. **The $28.1 million in combined appropriations from FY22 and FY23 resulted in DOE directing AFFECT funding to 19 federal agency projects that, when combined with the investment from the private sector, are expected to surpass $837 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. We were pleased to see DOE FEMP disburse $104 million in awards for Phase 1 of the BIL AFFECT funding in January of this year (which will generate $29 million in annual savings). We hope that Congress will ensure that DOE expeditiously disburses the remaining funding while ensuring that these funds are paired with private-sector investments to the greatest extent possible.

Energy 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 **$250.3 billion** government-wide. At a minimum, it would specifically address the nearly $7.7 billion in cost-effective energy-related backlog maintenance and energy conservation measures (ECMs) already identified in Congressionally mandated audits of federal facilities (EISA 2007, Section 432). Statutorily, 50% of the ECMs identified since December 27, 2020, need to be implemented via performance contracting within two years after an evaluation is completed per Energy Act of 2020 requirements.

FEMP, with minimal funding, supports all federal government agencies in their quest to become more efficient, resilient, and secure while reducing energy waste and greenhouse gas emissions. FEMP's 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 over 360,000 buildings and structures comprising 3 billion square feet, the federal government has a significant opportunity and responsibility to lead by example by 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

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government. Performance contracts also provide the ability for agencies to secure ongoing operations and maintenance (O&M) and repair and replacement (R&R) of the installed energy and water savings measures by allowing the ESCOs to leverage their expertise to properly care for these ever more complicated systems for the duration of the contract. According to FEMP, DOE IDIQ ESPC projects have achieved over **$18.17 billion** in guaranteed energy savings across the federal government and generated investments of **$8 billion** in federal energy efficiency and renewable energy improvements. These projects have resulted in approximately **622 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 contract's life. Because agencies are short on personnel, this is critical in ensuring dollars are well spent and maximizing 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.

When appropriated dollars have been scarce in past years, 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 (**AECOM, Ameresco, CEG Solutions, Constellation, Energy Systems Group, Honeywell, Johnson Controls Inc., NORESCO, Schneider Electric, Southland Industries, 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 considering our request.

Sincerely,



Jennifer Schafer

Executive Director

Federal Performance Contracting Coalition (FPCC)