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# Wakefield Energy Conservation Committee in the News

## Too good to be true? By Donna O'Neil, Wakefield Observer on Wed Apr 23, 2008

At first it sounded too good to be true, but members of the Energy Conservation Committee and a few other town officials now seem ready to embrace an option that would provide renovations to town buildings with no capital outlay required.

The concept, known as “performance contracting,” was the subject on an ECC meeting April 17.

Three vendors discussed the little-known process, which they said has been utilized successfully for at least 25 years. Essentially, the cost of energy-efficient and water-conservation upgrades would be paid for out of the savings realized by completing the projects, and would generally be financed by the contractor with no cost to the town.

### The explanation

“Municipalities look to do this kind of work when there is a budget crunch, in times of rising energy and maintenance costs and because of aging systems,” said John Kauppinen of NORESKO, who addressed the topic along with other representatives and would-be competitors for the projects from Ameresco and Trane.

Kauppinen added that the best time to undertake a performance contract is when the town sees its staff as fighting the proverbial fires to Band-Aid building maintenance, and when staff doesn't have the time, budget or ability to be proactive despite the need for updates and upgrades.

“We have no money,” said John Carney, a Wakefield selectman who attended the presentation.

“This is music to our ears,” said Kauppinen. “With specific projects we can guarantee savings that will pay for themselves with savings. Generally speaking we are used to responding to these situations at risk.”

Kauppinen said, “Energy projects, unlike other projects, don't have to wait for funding in Massachusetts.”

He explained that the Performance Contract process involves taking an inventory of the town's buildings and identifying projects that are likely to save money in the areas of energy and water efficiency when completed. The contractor will look at what is currently being spent and project a savings amount that would be realized when the project is completed.

He said that the contractor would then look for the most viable long-term solutions for the identified projects. "The process is streamlined," said Kauppinen, "and offers the best options for the town."

"We look at this as a long-term partnership," he said. "The benefits include reduced greenhouse gasses and carbon footprint advantages."

"These projects are all about being green," said Leo McNeil of Trane.

Wendy Dennis, chairwoman of the ECC, said that the committee was in the process of "doing benchmarking to determine which [town-owned] buildings should be targeted for projects. Obviously we want to undertake projects that will net us the most energy efficient savings."

She explained that school buildings, which will be in use for the foreseeable future, and other buildings including the relatively new Police Fire station will be looked at.

Richard Stinson, Wakefield DPW; Peter Evangelista, Wakefield Public Schools and Peter Dion, Municipal Gas and Light Department are all working with the committee to provide the current costs and historical energy and water costs for the buildings involved.

Energy use data and a DOER (Division of Energy Resources) matrix will be used to determine which projects will be implemented at specific buildings.

### **Funding options**

Hal Meyer, representing Ameresco, told the group that none of the companies represented at the meeting were acting as financing companies. Meyer did describe the three options for the town to finance the projects. They include loans, a bond or a lease. The chosen energy service company will make the financing arrangements, acting as a general contractor for the town.

"The total project cost repayment is covered by the energy savings which are guaranteed by the energy service company," he said.

The energy service company will basically guarantee that the town will realize enough savings to repay the money that it took to implement the project.

Paying for the project could be set up so that the town realizes an immediate savings from the project. This would mean that part of the savings would go to the repayment and part of the savings would go back to the town. Another option is to pay down the project costs with 100 percent of the savings, thus a shorter repayment schedule and less of an impact to the town.

Meyer explained that the most viable option for funding is the municipal lease. He offered supporting criteria including:

- Repayment is treated as an annual operating expense in a similar way to utility expenses.
- A voter referendum is not required.
- Lease payments are not considered debt due to the Non-Appropriation Provision.
- There is no effect on the town's debt ceiling limits/borrowing limits.
- Tax-exempt interest rates are low.
- There are no transaction costs.
- There is a relatively quick turn around process of 30 to 45 days.

### **Benefits and what's next**

McNeil summed up presentation with the benefits of undertaking energy and water conservation projects.

“It's a triple bottom line,” he said. Wakefield would be “fiscally, socially and environmentally responsible in their approach to the management of public assets.”

The funds necessary make the capital improvements would be outside the real of the capital budget. Projects would be paid for entirely or in part from guaranteed savings, based on the repayment schedule.

Wakefield would see a measured reduction in utility consumption and reduced emissions and there would be an established long-term relationship with the energy service company to sustain optimal performance.

After the meeting Dennis said that the committee would like to move the project along as quickly as possible. “It might even be inside of year when we get started,” she said.