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### Energy savings pay for upgrades

May 17, 2012

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Just as hybrid cars are using advanced engineering to cut gasoline bills, technology can cut the cost of heating, cooling and lighting America's buildings.

A hybrid car's better mileage helps drivers pay for its gas-saving technology. Similarly, a money-saving financing device can pay for energy improvements in schools and offices, and slash their costs.

Consider what Naugatuck, Conn., has accomplished.

Taking advantage of a financing mechanism known as an "energy performance contract," it has made \$12 million in energy improvements to its schools and other public buildings at no real cost. By cutting its demand for energy from coal, oil and natural gas, Naugatuck is also reducing its emissions of carbon dioxide, the main global warming pollutant.

Think of performance contracts as magic wands that transform high energy bills into such efficient technology as new air-conditioning and heating systems — and long-term savings.

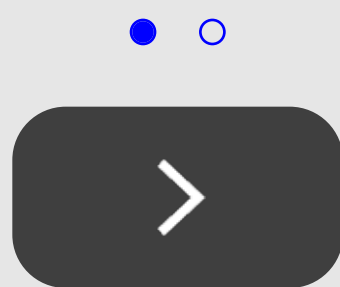
The magic is this: The money saved by reducing energy costs pays for the improvements themselves.

The performance contract guarantees that a project's total cost will be no greater than the amount formerly spent on energy alone. Over the generally seven to 15 years of the contract's life, the old energy bill will cover the cost of the new, lower energy bill and pay for the project's financing, construction, and new equipment — furnaces, air conditioners and lighting, for example.

The job's overall contractor works with the building owner to

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arrange bank loans, bonds or other financing to cover all the costs.

Then, at the end of the contract period, it's all gravy: The building owns upgraded long-life equipment and enjoys lower utility bills.

Throughout the country, the need for such energy savings is great. With inadequate insulation, leaky windows, and lights left on long after suites are empty, the average office building wastes about one-third of its energy.

“That’s money the building owner spends every month,” says Donald Gilligan, director of the National Association of Energy Service Companies, which represents firms specializing in energy efficiency upgrades. “You’re just not getting anything for it.”

And the benefits go beyond healthier air and healthier balance sheets. Every \$1 million invested in energy retrofiting produces 16.7 jobs, according to estimates by the Political Economy Research Institute at the University of Massachusetts, Amherst.

So performance contracts are a good deal for everyone: Buildings cut energy bills. Workers get jobs. Assaulted by less carbon pollution, the climate benefits.

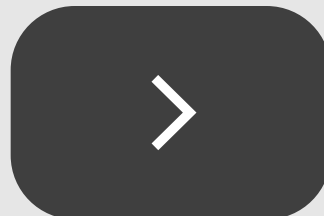
Nationally, at least 60 percent of commercial buildings can be effectively upgraded, reducing their energy use by 20 percent to 40 percent, according to Jennifer Schafer, executive director of the Federal Performance Contracting Coalition.


In the current political climate of eager partisan divide over allocating meager resources, the old industrial town of Naugatuck, whose mills once produced Keds and Naugahyde, now offers a modern lesson in simultaneously saving money and fighting climate change.

Its schools, which serve 4,500 students in 11 buildings, installed new windows and four energy-efficient boilers, replaced wasteful heating and air-conditioning controls, and switched to energy-efficient lighting systems, among other improvements. The museum in the old train station installed energy-saving programmable thermostats; the fire house has modernized heating.

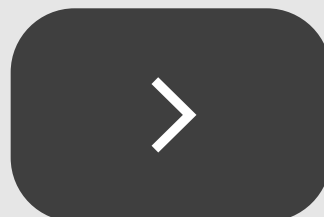
The payoff: A town where public buildings desperately needed improvement but money was scarce has managed to cut energy demands by 46 percent without tapping taxpayers to pay for the upgrades. It cut carbon dioxide emissions by 4,400 tons a year. And with its lower annual energy bill, it came out \$360,000 ahead last year alone.

As for the cost of making the installations, “The impact on the



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town budget is zero,” says John Tindall-Gibson, the school superintendent. “Any school district with buildings over 20 years old — I don’t know why they wouldn’t look at it.”

Saving money and energy, increasing jobs and fighting global warming: Performance contracts are a great deal. It’s time we made wide use of them.

Dan Becker directs the Safe Climate Campaign, which advocates strong measures to fight global warming. James Gerstenzang, the campaign’s editorial director, formerly covered the White House and the environment for the Los Angeles Times.

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