Strategic Approaches to Investing in Energy Projects

Dan Quinlan
dbquin@gmail.com
802.760.7400
The Challenge....
Strategic Energy Master Plan

Set the Vision
- Organization’s overall strategy
- SEMP principles & objectives
- SEMP goals: energy, water, emissions, etc.

Establish Current Position
- Consumption profile & data
- Successes-to-date
- Near-term project/ECM* pipeline

Describe the Tactics
- Identify potential project/ECM pipeline
- Decision criteria & process
- Approach to year-over-year funding
- Metering & monitoring build-out
- Other: energy contracts, DRM**, staffing, etc.

* ’Energy conservation measure’  ** ‘Demand response management’
Guiding Principles Tie to...

- Establishing energy as recurring core capital investment
- Aligning energy project planning with mission-critical goals
- Contributing to improving long-run financial results
- Committing to environmental stewardship
- Integrating a continuous improvement process mindset
- Fostering organizational commitment and ownership
Benefits & Buy-In

- **How does the SEMP help the bottom-line?**
  - 5% margin: $100k in energy savings, $2m in revenue
  - savings persist over project/ECM life
  - extend equipment life

- **Why is the SEMP good for patients?**
  - $ saved rolled back into service delivery
  - comfort
  - safety

- **Why will staff buy-in?**
  - environmental stewardship
  - reliability and performance of building systems
  - $ saved rolled back into service delivery
  - comfort & safety
Memorandum of Understanding

- Energy plan: utility & the health care facility customer
  - customized, multi-year, non-binding agreement
- Utility incentive & technical assistance plan
- Documents project/ECM timeline
- Defines M&V* protocols
- Establishes responsibilities, points-of-contact & expectations

* ‘Measurement and verification’
Southcoast Hospitals Group

- **Introduction**
  - Chris LeBlanc, Director of Engineering & Facilities for Southcoast Hospitals Group
    - Oversee 3 hospitals, 800+ beds totaling 1.3 million square feet in Southeastern Massachusetts
      - Annual Electric Consumption: 35,000,000Kwh
      - Annual Natural Gas Consumption: 190,000MMBTU’s
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- MOU: Memorandum of Understanding
- MOU’s with National Grid & Eversource (NStar)
- Initial Process/Discussions
- SHG Leadership involvement
  - Key Factors: Approved capital spending, Non-Binding Agreement, Enhanced Incentives
- MOU Process
  - Eversource (NStar)/National Grid
    - Three Year Structure
    - Determination of Kwh/Therms saved
    - Incentive each year based on Kwh/Therms saved
Benefits

- Enhanced Incentives:
  - Electric: Prior to MOU typical incentives were $.07-.10/Kwh saved, under MOU agreement incentives went to $.19/Kwh saved
  - Natural Gas: Prior to MOU typical incentives were $.50-.60/Therm saved, under MOU agreement incentives went to $1.12/Therm saved

- Energy Audits
  - If the utility company knows you are committed to energy savings via the MOU they are more likely to pay 100% for energy audits
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- Best Practices
  - Consistent process for incentive applications – utilize the utility companies – they are more than willing to help
  - Stay in touch with the utility company, there are instances where they can give additional incentives beyond the MOU
Lessons Learned

- Make sure your capital plan/SEMP matches the incentive model in the MOU year to year
- SHG MOU’s were back loaded, our spend was front loaded
- Be realistic with anticipated Kwh/Therm reduction that goes into the MOU
- Stay ahead of the MOU with the utility company, at year end they will reach our frequently to find out where things are with your capital spending, this is usually the result of the utility company not meeting their annual goal for dispersing incentives