U.S. DEPARTMENT of ENERGY

Structuring a State ESPC Program to Maximize Agency Participation

February 17, 2026

A copy of the slides from today's presentation will be provided to you for reference.

ENERGY SERVICES COALITION
A Public Private Partnership
www.energyservicescoalition.org

ESPC Campaign

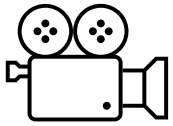
Agenda

This session will focus on how to structure or refine a state ESPC program to drive greater agency participation and successful project execution, even in environments where funding and resources fluctuate.

- Introductions
- About ESPC
- How ESPC can address issues faced by state agencies
- An ecosystem for ESPC Project Support
- Examples of State Program Structures and Case Studies
- Resources and Next Steps
- Q&A

Virtual Housekeeping

Drop your questions in the Q&A box



A recording of this training will be posted online

Introductions

Speakers

Chris Halpin, PE, CEM, CMVP, DOE PF
Energy Services Coalition Consultant
chris@celticenergypllc.com

Sam Cramer
Senior Program Director
National Association of State Energy Officials (NASEO)
scramer@naseo.org

Caulin Silber, PM
New Mexico Energy, Minerals, and Natural Resources Department (EMNRD)
caulin.silber@emnrd.nm.gov

Harold Trujillo, Ret.
New Mexico Energy, Minerals, and Natural Resources Department (EMNRD)
Harold.Trujillo@emnrd.nm.gov

Speaker's Bios

- **Chris Halpin:** Chris is the President of Celtic Energy, PLLC, based in Las Vegas, NV. ESC, U.S. DOE, and Berkeley Lab are his primary clients. He has 40 years' experience in the energy efficiency industry, including founding and running an ESPC Owner's Rep firm for 18+ years where he oversaw over $2.5 billion of ESPC projects. He has a BS in Mechanical Engineering, is a registered PE in NV and CT, and Certified by the Association of Energy Engineers (AEE) as a Certified Energy Manager (CEM) and Certified Measurement & Verification Professional (CMVP). He is also a USDOE FEMP certified Project Facilitator, and a nationally known speaker on ESPC and other energy industry topics.
- **Sam Cramer:** Sam leads NASEO's financing program and state energy planning assistance and supports the electricity planning initiative. In his role, Mr. Cramer has conducted research on a range of issues such as energy-water nexus and Commercial Property Assessed Clean Energy. Prior to NASEO, Mr. Cramer worked for the National Governors Association, where he assisted governors' offices with understanding energy topics including new utility business models and electricity market structures, shale oil and gas protective practices, and greenhouse gas emissions rules. Mr. Cramer received his Bachelor of Science from Cornell University and his Master of Public Policy from American University.
- **Caulin Silber:** Caulin is a Mechanical Engineer for the New Mexico State Energy Office. He administers the ESPC program for the state and has implemented over $200 million in projects in his two years at EMNRD. His prior experience consists of work at the DoE and the DoD specializing in HVAC and renewable energy implementation. He is currently exploring publishing his research paper on the ancillary effects of solar panels on bodies of water.
- **Harold Trujillo:** Harold is a Professional Engineer and former bureau chief for the New Mexico State Energy Office. Harold has over 50 years of experience in energy conservation and has been with the State of New Mexico more than 40 years. He oversaw and implemented the first drafts of the ESPC program in the 90's and has been vital in turning the program into the success it is today. Harold Trujillo was honored as New Mexico's engineer of the year 2024 by the New Mexico Society of Professional Engineers for his dedication and service to the industry. Harold currently holds Chair positions with the NM Board of Higher Education, the New Mexico Acequia Association, and New Mexico ASHRAE.

About ESC

The Energy Services Coalition (ESC) is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through **E**nergy **S**avings **P**erformance **C**ontracting.

Local chapters; public and private sector individuals coming together to provide outreach and education.

Join the ESPC Campaign

If your organization is not yet a member, please join the ESPC Campaign!

Complete the Expression of Interest form to obtain a Partner Agreement

Campaign Leaders	• State Energy Offices or similar organizations ready to establish, strengthen, and/or expand technical assistance programs to support others in using ESPC
ESPC Champions	• MUSH organizations seeking to connect with peers and access and share ESPC resources
Supporters	• Market stakeholders that support the objectives of the ESPC Campaign, promote this program as a resource to the public sector, and assist their clients with reporting and tracking data in eProject eXpress (ePX)

About Energy Savings Performance Contracting (ESPC)

What is ESPC?

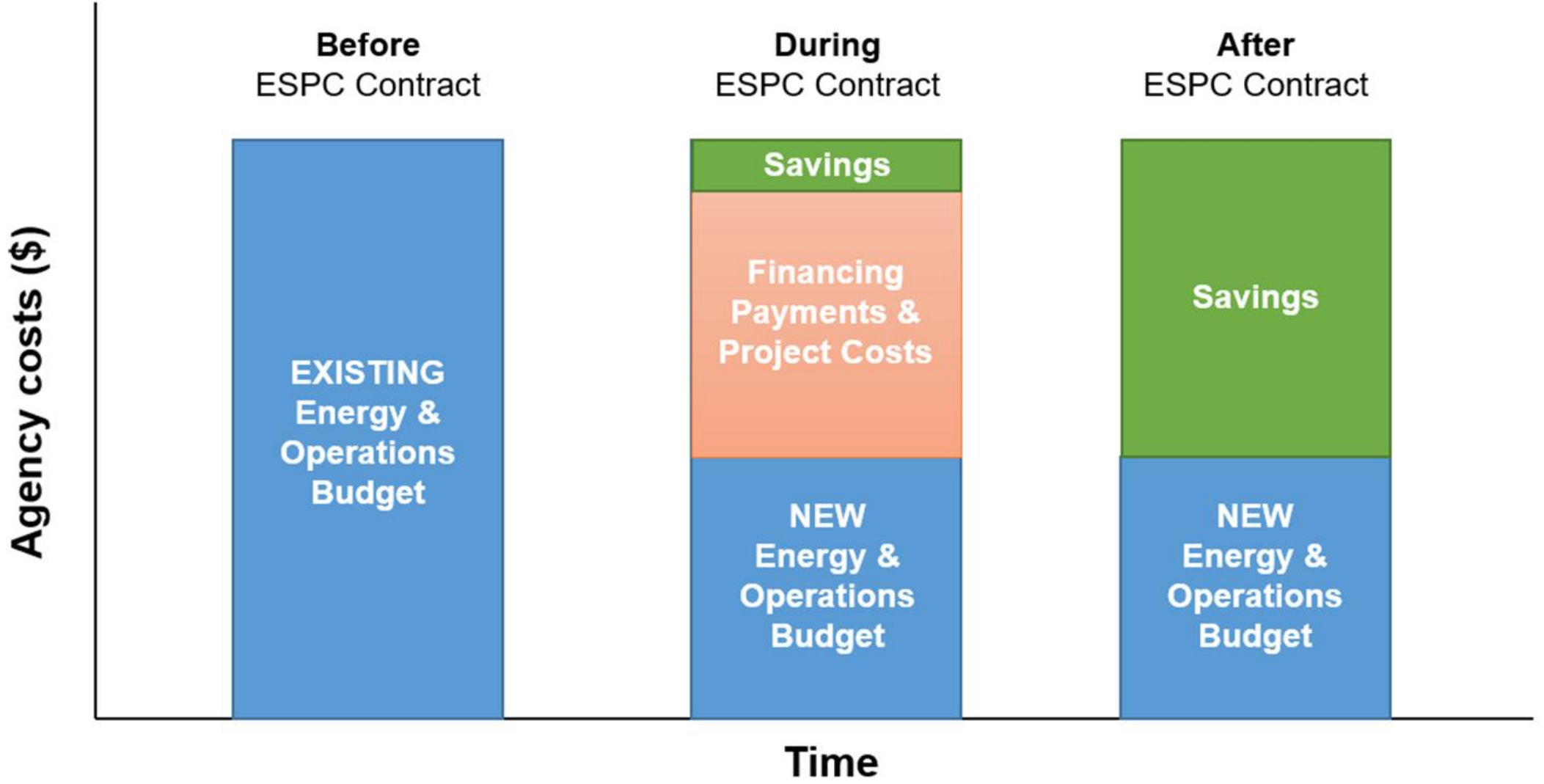
The use of guaranteed savings from the maintenance and operations budget (utilities) as capital to make needed upgrades and modernizations to your building environmental systems, financed over a specified period of time."- United States Department of Energy – 1999

"ESPC is a financial mechanism used to pay for today's facility upgrades with tomorrow's energy savings – without tapping your organization's capital budget. Done properly, it has the performance of a hedge fund, with the risk of a T-bill." - Chris Halpin

A version of **design-build** contracting, with a focus on guaranteed energy savings.

What is ESPC?

Budget Cost Neutral



Roots of Energy Savings Performance Contracting (ESPC)

Origins & Purpose

ESPC projects emerged in the late 1970s–1980s in response to energy crises and aging public infrastructure. (Source: DOE Better Buildings Solution Center)

Helps **overcome barriers for State Agencies:**

- Long procurement cycles
- Strict budgets
- Conservative fiscal cultures
- Risk Aversion

Benefits

Budget-Friendly Modernization:
Enables upgrades without new taxes or bond measures.

Job Creation:
Drives demand for skilled trades and technical jobs.

Guaranteed Results:
ESCOs assume performance risk through contractual savings guarantees.

Resilience:
Improves community resilience to climate impacts like Extreme Heat.

Operational Efficiency:
Reduces long-term costs, freeing up funds for core services and educational mission.

Improved Environments:
Enhances comfort, safety, and productivity, lowers emissions.

ESPC: A Resilient Model Over Time and Through Change

ESPC has proven resilient across:

- Fluctuating federal/state funding
- Political transitions
- Economic downturns

It has Bipartisan Appeal:

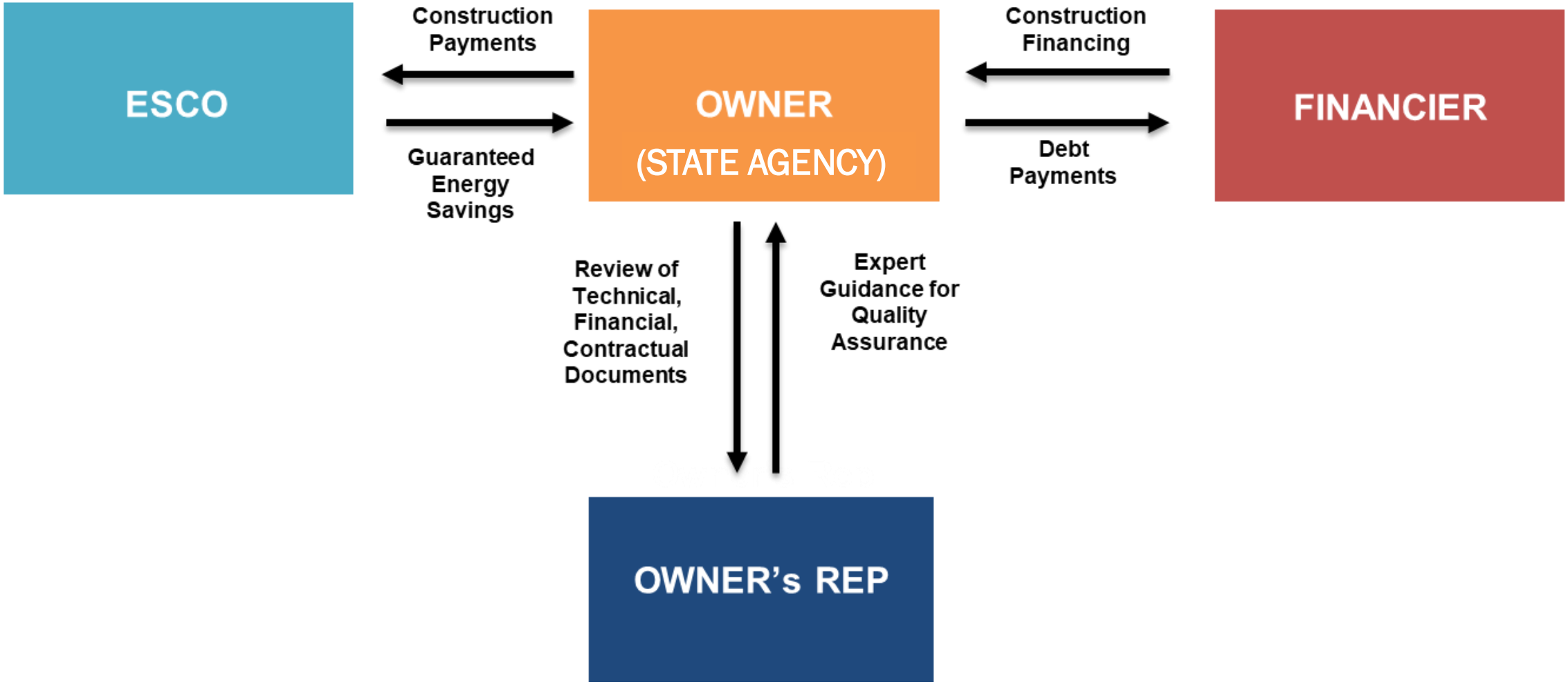
- Privately financed (does not require taxpayer dollars)
- Adopted in both red and blue states
- Supports local economies by engaging contractors and suppliers.
- Ensures transparency through rigorous Measurement & Verification (M&V)
- Reduces operating costs for public sector organizations with over-burdened budgets

Result:

- Over $30 billion in cost-effective upgrades financed through ESPCs across 45 states. Source

ESPC's budget-neutral structure and measurable results make it a politically neutral and fiscally responsible approach.

ESPC Roles and Responsibilities



How performance contracting can address the issues faced by State Agencies today

State Agencies have Massive Deferred Maintenance Backlogs

State agencies are mission-critical and infrastructure-intensive, yet chronically underfunded. Aging facilities drain operating budgets and increase long-term taxpayer cost.

State Agencies Deliver Essential 24/7 Public Services

- Prisons, hospitals, universities, courts, and public safety facilities
- Serve millions of residents annually
- Millions of square feet of infrastructure statewide
- Many facilities date back to the 1970s–1990s
- These systems cannot shut down, even when buildings fail

Deferred Maintenance Is Massive, and Growing

- Public higher education: $100B+ in deferred maintenance nationally
- Correctional facilities: $16–$32B backlog
- Total state-owned asset backlogs: tens to hundreds of billions $$ nationwide
- Maintenance funding often at 1–3% of asset value (below the 2–4% benchmark)
- At current funding levels, it would take 15–25+ years to eliminate backlogs

Chronic Underfunding Creates Operational & Fiscal Risk

- Budgets prioritize direct services, not boilers, chillers, or controls
- Rising utility costs crowd out capital upgrades
- Deferred maintenance accumulates year after year
- Emergency repairs cost more than planned replacements
- Aging infrastructure weakens reliability, safety, and compliance

Aging Infrastructure is Undermining Agency Missions

Hospitals & Care Facilities

- Inconsistent temperature/humidity/pressure control impacts patient recovery and infection control
- Equipment failures disrupt operating rooms, labs, and medication storage
- Staff time diverted from care delivery to emergency facility issues

Correctional Facilities

- Ventilation and hot water failures create safety and compliance risks
- Poor lighting and controls increase security concerns
- Maintenance emergencies increase overtime and operational costs

Higher Education

- Enrollment pressure + rising utilities = cuts to academic programs
- Uncomfortable classrooms and residence halls affect retention
- Aging labs and HVAC limit research capability

Department of Transportation

- Outdated maintenance facilities increase fleet downtime
- Aging lighting and traffic control systems reduce safety
- Emergency repairs cost multiples of preventative maintenance
- Capital funds diverted to patchwork fixes instead of long-term modernization

Department of Justice

- Aging HVAC systems compromise secure medical and forensic environments
- Power reliability issues threaten evidence preservation and critical care
- Deferred upgrades increase risk of federal compliance violations

ESPC Converts Wasted Energy Dollars into Modern Infrastructure

Without compromising agency missions

High energy use = large savings potential

- Some agencies operate 24/7
- Continuous loads create reliable payback streams
- Lower energy use creates hedge against future cost increases

Fix deferred maintenance at scale

- Replace failing HVAC, controls, lighting, building envelope, water systems together
- Coordinated upgrades improve reliability and resilience
- Avoid expensive patchwork repairs

Budget neutral

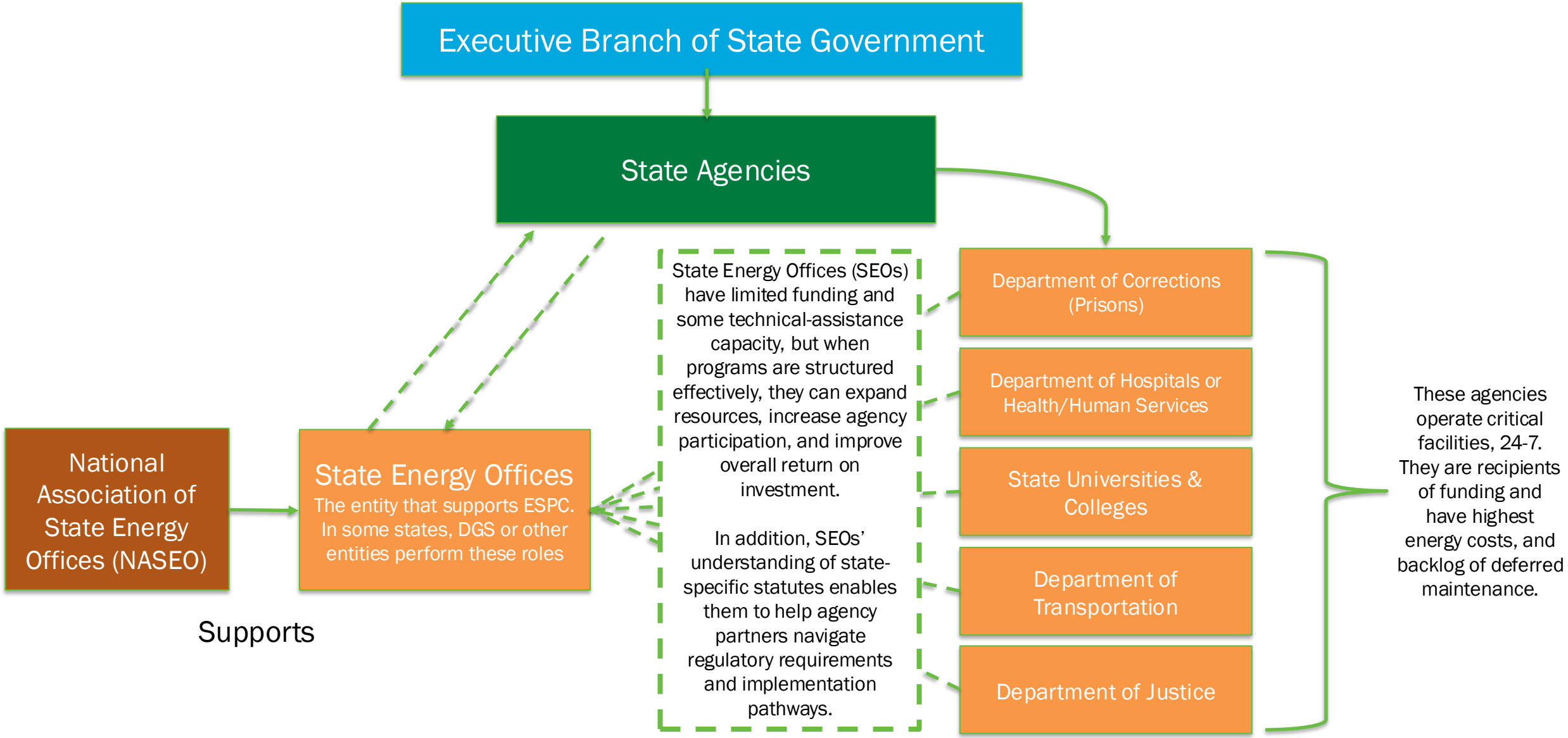
- Savings pay for improvements
- No large upfront capital request
- No change orders
- Reduces emergency replacements
- Stabilizes long-term operating costs

Protects the mission

- Reliable temperature, humidity, ventilation, lighting, and hot water
- Frees staff to focus on care, education, safety, etc.
- Improves occupant health, security, performance, and retention

How SEOs support State Agencies for ESPC

How State Energy Offices Support State Agencies



Work with State Energy Offices to Facilitate ESPC Projects

Almost all states have ESPC enabling legislation. This legislation allows state and local government agencies to implement ESPCs instead of traditional design/bid/build procurement process.

State Energy Offices can potentially provide these services to State Agencies:

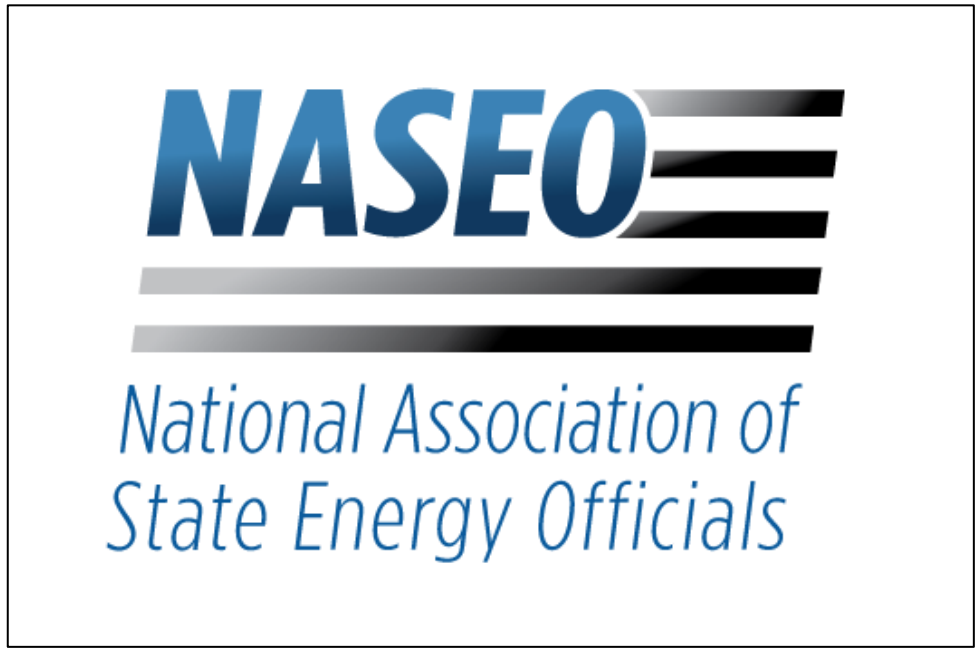
Training to help your State Agency decide if ESPC is the right choice, and how to develop a project	Template documents that can save hundreds of hours of legal, procurement, and technical staff time	Technical assistance, including high level review of ESCO proposals and technical submissions	Lists of pre-qualified ESCOs and Owner's Representatives.	Assistance with financing options and RFPs	Assistance in securing necessary approvals from Authorities Having Jurisdiction (AHJ)

NASEO Supports SEOs

NASEO is the only national non-profit association for the governor-designated State Energy Directors and their offices from each of the 56 states and territories. Formed by the states in 1986, NASEO facilitates peer learning among state energy officials, serves as a resource for and about State Energy Offices, and advocates the interests of the State Energy Offices to Congress and federal agencies.

NASEO can provide

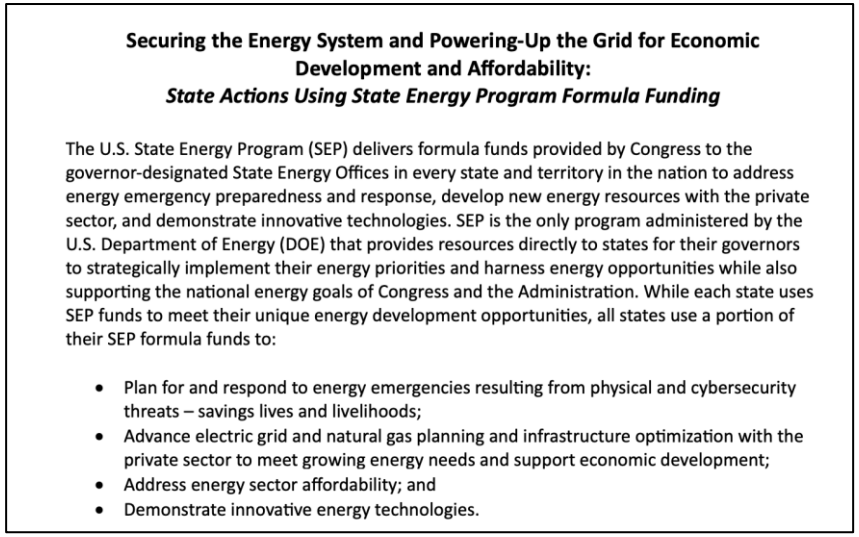
- Data and Resources for State Energy Offices on how they can best support local energy efficiency programs, especially the MUSH market
- Publications and research regarding economic growth, job creation, and other impacts of energy programs
- Updates on energy related issues and policies
- Information on each State's Energy Office
- Program in a Box (Coming soon!)



Contact: Sam Cramer
scramer@naseo.org

NASEO Resources

This report focuses on the strategic partnerships between State and Territory Education Agencies and State and Territory Energy Offices. Collaboration among these agencies can help states better support energy efficient and healthy school facilities by lowering utility and maintenance costs for schools and improving the learning environment for students



Securing the Energy System and Powering-Up the Grid for Economic Development and Affordability:
State Actions Using State Energy Program Formula Funding

The U.S. State Energy Program (SEP) delivers formula funds provided by Congress to the governor-designated State Energy Offices in every state and territory in the nation to address energy emergency preparedness and response, develop new energy resources with the private sector, and demonstrate innovative technologies. SEP is the only program administered by the U.S. Department of Energy (DOE) that provides resources directly to states for their governors to strategically implement their energy priorities and harness energy opportunities while also supporting the national energy goals of Congress and the Administration. While each state uses SEP funds to meet their unique energy development opportunities, all states use a portion of their SEP formula funds to:

- Plan for and respond to energy emergencies resulting from physical and cybersecurity threats – savings lives and livelihoods;
- Advance electric grid and natural gas planning and infrastructure optimization with the private sector to meet growing energy needs and support economic development;
- Address energy sector affordability; and
- Demonstrate innovative energy technologies.

US State and Community Energy Program: Stories of Impact and Innovation from 50 States

This primer provides information on financing mechanisms that MUSH market building owners can leverage when seeking to finance energy retrofits. It offers an overview of commonly used financing products in the MUSH market, along with roles that State Energy Offices can adopt to either oversee or manage each product.

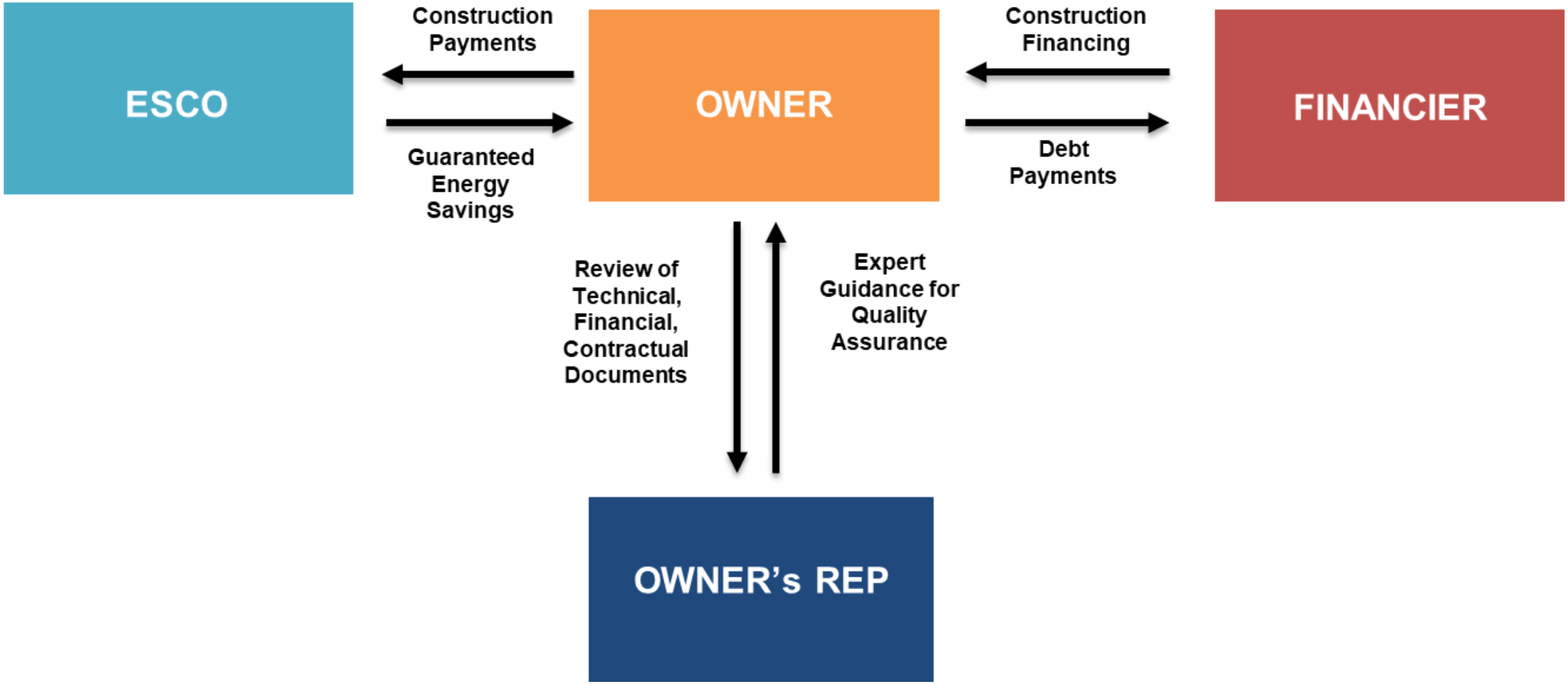
Examples and Case Studies

On how SEOs can effectively structure resources to leverage and support State Agencies for ESPC

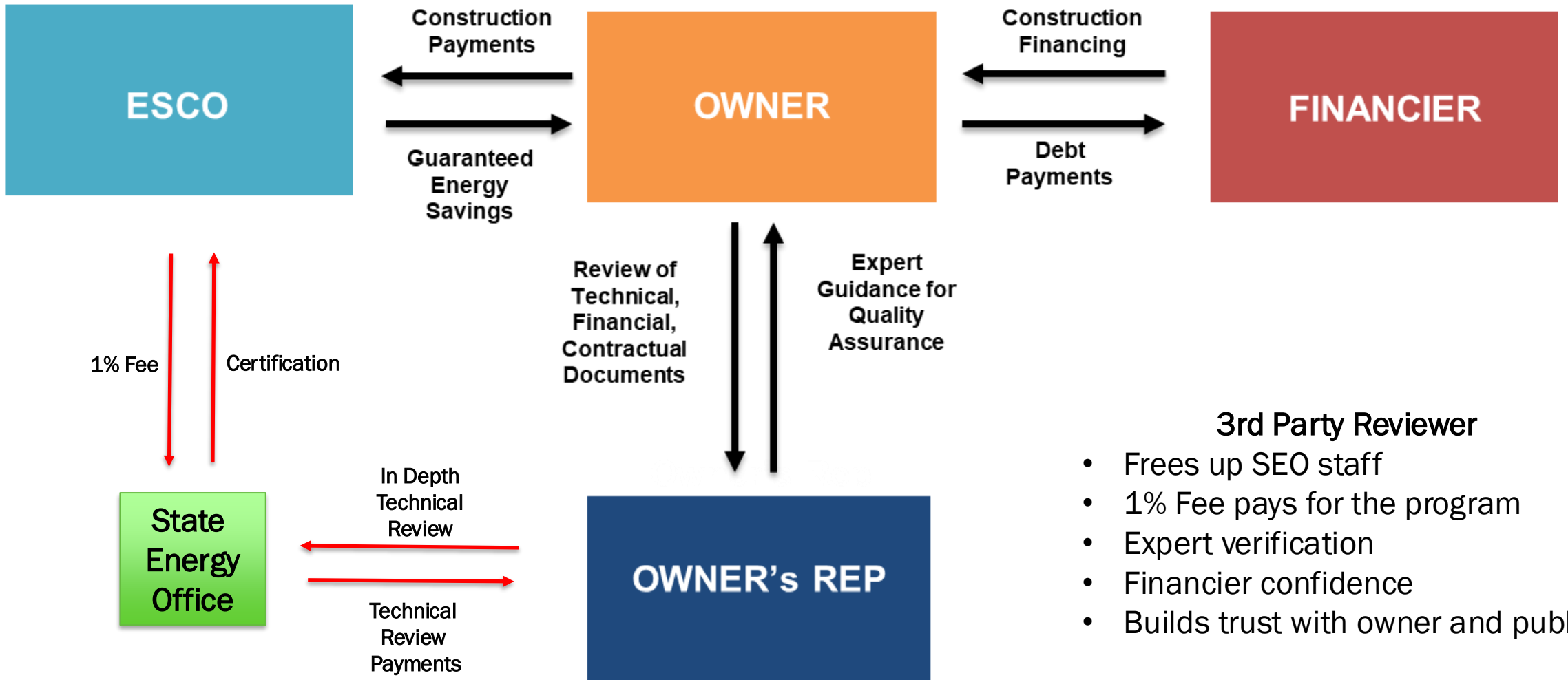
State Energy Office – Best Practices for ESPC

1. Know the Laws
   - Can and Can nots. What can knowledge of the law do for you?
   - Use it as a selling point. Guaranteed savings or cash bond?
2. Maintain Relationship with your ESCOs
   - Monthly Meetings
   - Meet them when they are nearby working on a project
   - Invite to community events i.e., TEMA, ESC
3. Get involved in the community
   - Higher Ed, Public Schools, GSD
4. 3rd Party Reviewer
   - Take's the responsibility of the Owner's Rep
   - If structured right, it will pay for itself
5. 1% Fee pays for the program
   - Collected from ESCO, funds EMNRD Program Management staff and 3rd Party Reviewer

ESPC Roles and Responsibilities



3rd Party Owner's Rep



3rd Party Reviewer

- Frees up SEO staff
- 1% Fee pays for the program
- Expert verification
- Financier confidence
- Builds trust with owner and public

New Mexico Case Study – UNM South Campus

Cost: $7.3 million **Savings: $15.6 million**

Annual Savings: $741,000

1.2 million square feet of campus facility
26 Facilities pertaining to athletics department

- 7,000 LED Fixtures
- 314 kW DC PV array
- 11 buildings received new HVAC Controls
- 58 High Efficiency Transformers
- 128 cooling devices set up to Wi-Fi control
- 189 sq ft of window and wall sealing
- Duct leakage addressed at 4 sites
- Utility Rate Change

This project was presented to the Board of Higher Education Capital Outlay Committee. It was accepted on the contingency that an ESPC was pursued due to it solely containing retrofits. Since then, it has been one of New Mexico's highest saving ESPC projects and other universities have followed suit. Projects like this, and HECOC cooperation, have inspired Southeast New Mexico College and Dona Ana Community College to pursue ESPCs for their deteriorating facilities.

ESCO: Energy Systems Group
(Formerly Yearout Energy)
OR: Engineering Economics, Inc.

New Mexico Case Study – Bernalillo County

Cost: $14.3 million **Total Savings: $16.7 M**

Annual Savings: $840,000

Focus on 10 county owned buildings and facilities

- County Courthouse
- 2 Health Facilities
- 4 Community Centers
- 2 Public Safety Facilities
- 1 Youth Center

Modernized Equipment:

- 12,000 LED lights
- 631 kW DC Photovoltaics
- 600 sink flow controls & bathroom flushometers
- 54 High Efficiency Transformers
- Wi-Fi thermostats
- EV Carport

Bernalillo County succeeded in bundling multiple facilities into a comprehensive, portfolio approach. By doing this, buildings that wouldn't have a guaranteed cost savings are able to be paired with higher cash flow yielding buildings to undergo a retrofit.

ESCO: Energy Systems Group
(Formerly Yearout Energy)
OR: EEA Consulting

New Mexico Case Study – Santa Fe Comm. College Microgrid

Cost: $5.3 Million **Total Savings: $6.5 Million**

Annual Savings: $320,000

The SFCC microgrid is a campus wide-distribute energy system designed to integrate renewable energy, energy store, and backup generation.

- 1.5 MW Solar Photovoltaic (PV) Array
- 1 MW battery storage system
- 1 MW natural gas generator

A core goal is student education and workforce development.

- Includes an educational microgrid (nanogrid)
- Curriculum and training programs in grid modernization, distributed energy systems, and microgrid control

This microgrid is one the first in New Mexico and is an excellent example for future islanding projects. This project has inspired other facilities to take advantage of microgrid technology and implement it. Specifically, the New Mexico Emergency Operations Center has been targeted for a microgrid upgrade from the governor and is approaching construction.

ESCO: Siemens
OR: ES3 Consulting

Colorado Case Study – Colorado Department of Human Services

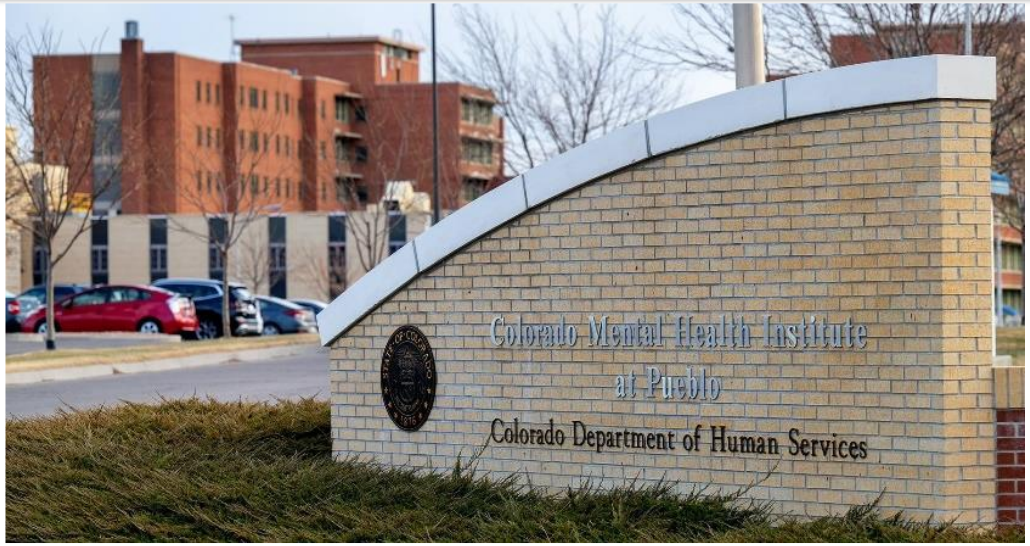
AT A GLANCE

Energy/Water Conservation Measures

- Two solar arrays totaling 4.42MW
- Weather-based irrigation system controls and low flow plumbing fixtures
- Replacement of 46,000 luminaries to LED
- Steam trap insulation and replacements for central plant
- Natural gas contract renegotiation

Project Stats

- Cost of Project: **$29M**
- Lifecycle Savings: **$46M**
- Project Scope: 200+ buildings statewide
- $3.5M expected in ITC solar credits
- 100% Self-Funded Project



PROJECT OVERVIEW

CDHS has become the first state agency to commit to going beyond Governor Polis' Greening Government Order by enacting a set of ambitious, measurable sustainability improvements. Spanning over 200 buildings and 2.8 million square feet, this project includes diverse facilities such as psychiatric hospitals, group homes for individuals with disabilities, youth service centers, and historic government offices. By 2026, this initiative will allow CDHS to significantly surpass the Governor's sustainability targets, setting a new standard for state-wide efforts.

Once fully implemented, CDHS will achieve unprecedented milestones in sustainability, setting an example for other agencies and organizations nationwide. This collaboration emphasizes the critical role government entities can play in reducing environmental impact and accelerating the adoption of renewable energy and resource conservation strategies

ESCO: Schneider Electric

EPC PROJECT HIGHLIGHTS

Project Savings

The project expects to have over $1.37M in annual utility savings, $366,000 in utility provider rebates, and $3.5M in expected ITC solar credit.

Governor Polis' Greening Government Order

Once fully constructed, CDHS is expecting to offset their electricity usage by 25% with renewable energy, reduce water consumption by 28% statewide, and meet full LED lighting compliance across their portfolio.

COLORADO
Energy Office

NC Department of Adult Corrections (DAC)

The project included a 500 kW Solar Energy Solutions Agreement (ESA), EV charging infrastructure, and comprehensive efficiency upgrades—ranging from lighting and HVAC to water management systems that support contraband detection and flood prevention.

- Key benefits and outcomes include:
  - **A 500-kW solar array at Tabor Correctional Institution, owned by NC Electric Cooperatives and serviced by Brunswick Electric Membership Cooperative, delivering reduced electricity rates over a 20-year term.**
  - Conversion of 16 perimeter patrol vehicles to electric, with charging stations installed at four sites.
  - Upgrades to lighting, building automation systems (BAS), HVAC systems, and building envelopes.
  - Water management systems that enhance facility safety and security
  - Compliance with Executive Orders 246 and 80, supporting EV adoption and energy use reduction goals.
  - Workforce development through tailored training tracks for staff and offenders.
  - 17% participation by historically underutilized businesses.

Case Study Link Here

Hawai'i State Energy Office and Department of Education, Hawai'i

The Hawai'i State Energy Office and Hawai'i Department of Education have teamed up to develop and implement an ESPC pilot project as part of the Ka Hei Program. One school complex on Maui and two on the Big Island of Hawai'i. Started one in 2024, but it didn't move forward due to multiple issues.

HSEO/HDOE recently approached the USDOE/ESC ESPC Campaign about providing technical assistance. The assistance will include:

- Revising the State's Invitation for Proposals (IFP) to the three pre-qualified ESCOs:
  - "Pick a Partner, not a Project" by focusing on qualifications and indicative pricing.
  - Eliminate an audit as part of submission to reduce the burden on ESCOs and HDOE.
  - Provide template for transparent open book pricing.
  - Utilize USDOE's Risk, Responsibility, and Performance Matrix.
  - Utilize USDOE's Comment, Response, Resolution spreadsheet.
  - Provide a "technical facility profile" as an IFP Appendix for background.
  - List objectives, and chronic O&M issues.
  - Include IGA Agreement and Energy Services Agreement to reduce future contractual issues.
  - Require evaluation of full O&M services.
- Assist the Energy Office issue an IFP to select and hire Owner's Reps to provide QA.
- Assist with educating all financial, management, and technical stakeholders on ESPC.
- Ensure energy and water efficiency, healthy environments, and resilience are addressed.

Resources and Upcoming Events

Consider Technical Assistance

State and local ESPC Campaign partners are invited to set up a time to speak with an ESPC Subject Matter Expert for direct technical assistance. Discussion topics can be anything regarding an ESPC project or program, including specific questions on your project. **To request a meeting time,** please email espccampaign@hq.doe.gov .

"The ESPC Campaign and ESC are providing technical assistance as we explore how energy performance contracting can address the unique needs of schools across the islands, from deferred maintenance to solar and energy efficiency investments that advance the State's clean energy targets in an economically feasible way. This work centers the Department of Education's commitments to equity and education and is helping Hawai'i DOE build a strong, coordinated foundation for moving forward."

-Ryan Hee Wai, Energy Engineer, Hawai'i Department of Education

Upcoming Events

- Using eProject eXpress to Track and Report ESPC Legacy Project Data
  February 18, 2026, 11:00am-12:00pm PST
- Using eProject eXpress to Track and Report ESPC Legacy M&V Data
  March 18, 2026, 11:00am-12:00pm PST
- Green Schools Conference

  February 17-19, 2026, San Diego, CA
- How ESPC Can Drive Innovation and Economic Development in Your Community
  March 10, 2026, 11:00am-12:00pm PST
- The Energy/Water Nexus and ESPC

  Save the Date: April 14, 2026, 11:00am-12:00pm PST

Relevant Past ESPC Campaign Events

Training 01: Intro to ESPC - A High Value Tool for Public Agencies

Workshop 02 - Working with Internal and External Stakeholders to Ensure a Successful ESPC Project

Training 06: Maximize Your ESPC Success – Review and Apply Lessons Learned

Webinar: ESPC Resource Tour

Webinar: State of States

Resources: ESPC Campaign

The Energy Savings Performance Contracting (ESPC) Campaign engages states, local governments, school districts, universities and colleges, hospitals, and other market stakeholders to:

- **Support** the use of performance contracting to increase efficiency, modernize public buildings, reduce utility expenses, increase resilience, and meet lead-by-example goals
- **Share and Leverage Practical Resources** to strengthen ESPC and measurement & verification (M&V)
- **Amplify and Implement Best Practice Approaches** for ESPC projects and programs
- **Demonstrate Impact** with measured and verified energy and cost savings
- **Showcase Achievements** and share examples of successful ESPC implementation

- ✓ *Expert-led Trainings*
- ✓ *Webinars*
- ✓ *Peer Exchanges*
- ✓ *"Ask-an-Expert" Office Hours*
- ✓ *Resource Library*

Case Study Submission Form Here

Complete the Expression of Interest form to obtain a Partner Agreement

Q&A

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Thank you!

ESPCcampaign@hq.doe.gov

Chris Halpin
Energy Services Coalition
www.energyservicescoalition.org
chalpin@energyservicescoalition.org
chris@celticenergypllc.com

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