



FINAL REPORT

Energy Efficiency in Schools Study Committee

February 2002

MEMBERS

Senator Neal Schuerer, Cochairperson
Senator Dick Dearden
Senator Mary Lundby

Representative Bryan Sievers, Cochairperson
Representative Chuck Larson
Representative Dick Taylor

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Staff Contacts:

Joe McEniry, Legal Counsel
(515) 281-3189
joseph.mceniry@legis.state.ia.us

Susan Crowley, Senior Legal Counsel
(515) 281-3430
susan.crowley@legis.state.ia.us

AUTHORIZATION AND APPOINTMENT

In June 2001, the Legislative Council established the Energy Efficiency in Schools Study Committee. The charge of the Committee was to study options for improving energy efficiency in K-12 schools, area education agencies, community colleges, and other educational facilities. Consider ways to encourage schools to invest in energy conservation measures that reduce energy consumption, produce a costs savings, and improve the quality of indoor air. Review options to encourage schools, when economically feasible, to build, operate, maintain, or renovate facilities in a manner which will minimize energy consumption or maximize energy savings.



I. October 25, 2001, Meeting.

A. Overview of Energy Programs. Mr. Dave Reynolds, Legislative Fiscal Bureau (LFB) Senior Legislative Analyst, spoke about the various energy conservation programs administered by the Department of Natural Resources, and the proposed energy efficiency legislation (Senate File 371) from the 2001 Legislative Session. The current energy conservation programs are the State of Iowa Facilities Improvement Corporation (SIFIC), the Iowa Energy Bank Program, and the Rebuild Iowa Program. He noted the SIFIC Program has netted a cumulative utility cost savings of \$53.6 million, the Energy Bank Program has saved a cumulative total of \$78.4 million in utility costs, and the Rebuild Iowa Program has saved \$2.7 million. He stated that Senate File 371 would permit school districts to implement energy conservation measures by contracting with a service provider that guarantees energy savings; these types of contracts are sometimes referred to as performance-based contracts.

B. Department of Natural Resources Program. Ms. Monica Stone, Energy and Geological Division of the Department of Natural Resources, spoke about the Building Energy Management Program (BEM), which is administered by the department with the assistance of three marketing firms to help public facilities make energy efficiency improvements. She described the BEM Program as budget neutral. She noted that Senate File 462, which passed last year, permits the department to enter into longer financing arrangements with public facilities. She stated that if a public facility enrolls in the BEM Program, there are three marketers that are available to help guide the entity through the program. She then talked about performance contracting. She stated that in performance-based contracts, the guaranteed savings is like an insurance policy and that the guarantee comes with a built-in price. She noted that there has never been a default on a project in the BEM Program.

C. Proponents of Performance Contracts.

1. Ms. Ann Rosenthal, a facilities engineer, stated that performance-based contracts have many positive aspects. She stated that performance-based contracts provide for a single point of responsibility which reduces risk and will also provide school districts with another choice of financing energy efficiency projects. She further stated that competitive bidding does not take into account the long-term energy needs, while a performance-based contract will review the entire life cycle of a building.
2. Mr. Steve Grubbs and Mr. Larry Murphy, both representing Johnson Controls, and Mr. Gary Ambach of Alliant Energy spoke about the benefits of performance-based contracting. Mr. Grubbs suggested that performance-based contracting will release a torrent of investment into the Iowa economy, which does not cost the government anything. He stated that performance-based contracting will reduce energy costs, provide for cleaner air in schools,



and make classrooms quieter from the installation of new energy equipment. Mr. Ambach stated that Alliant Energy is involved in performance-based contracting in other states. Mr. Murphy stated that passing legislation in the 2002 Legislative Session supporting performance-based contracts may be all the Legislature can give schools next year because of the slowing economy.

D. Proponents of Competitive Bidding. Mr. Keith Luchtel and Mr. Greg Spenner, representing the Associated Builders and Contractors, stated that abandonment of the existing competitive bidding process would eliminate many of the checks and balances currently built into the system. Mr. Luchtel stated that the primary purpose of competitive bidding is to preserve the integrity of the governmental contracting process. He noted that existing law requires the award of the contract to the lowest qualified bidder, which ensures the integrity of the system and also promotes an environment that fosters competition. He also noted that if a school board currently enters into an energy efficiency project, the professionals that prepare the contract and financing documents owe their loyalty solely to the school board, while in a performance-based contract these same professionals owe their allegiance to the contracting company.

II. Recommendations.

The Committee recommended that the General Assembly move forward with legislation on a school energy program, and directed the Legislative Service Bureau to draft such legislation with input from interested groups, using proposed legislation from the 2001 Regular Session of the Seventy-ninth General Assembly as a model. The recommendation was adopted unanimously by voice vote. (As of February 8, 2002, input on the draft had not been finalized.)

III. Materials Submitted to the Energy Efficiency in Schools Committee and on File With the Legislative Service Bureau.

- A.** Legislative Fiscal Bureau issue review – "Iowa's Energy Conservation Financing Programs" by David Reynolds.
- B.** Monica Stone, Energy Bureau, DNR, written testimony – "The Iowa Building Energy Management Program: A Solution for High Energy Costs."
- C.** Department of Natural Resources (DNR) pamphlet – "Saving Dollars & Making Sense: The Iowa Energy Bank."
- D.** Ann Rosenthal written testimony – "Energy Efficiency in Schools."
- E.** Keith Luchtel written testimony – "Energy Conservation Construction Projects."
- F.** Iowa State University Professor Jim Rowings letter re performance contracting as addressed by S.S.B. 1189 distributed by LSB.
- G.** The following bills introduced during the 2001 Legislative Session distributed by



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LSB – S.F. 371, H.S.B. 214, and S.S.B. 1189.

H. Monica Stone memo dated December 11, 2001.

I. Follow-up comments by David Reynolds, LFB.

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