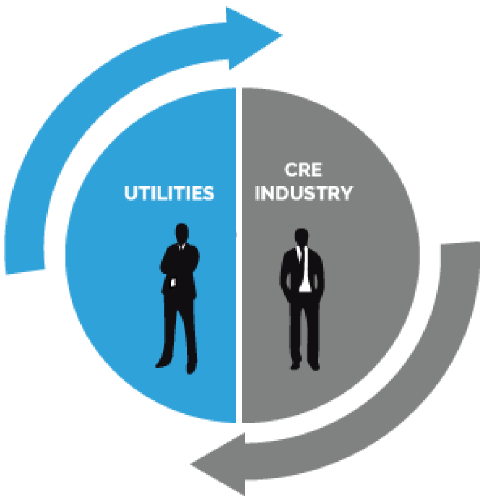
For Energy Efficiency, it's All in the Timing

Utility Programming & Commercial Real Estate Capital Planning

WAYPOINT ENERGY

When Utility Programs and CRE Capital Budgeting Processes Converge for Energy Efficiency

Waypoint works with both the commercial real estate (CRE) market and utilities and is all too familiar with the issue of timing. The fact is, utility efficiency programs and CRE capital budget cycles are out of sync. With misaligned planning and implementation cycles, it's no wonder that utilities and CRE firms find it hard to connect. By understanding both parties' timing, Waypoint has identified a sweet spot to optimize utility and CRE timing for successful implementation of energy efficiency projects with utility incentives.



Utility Timing. Utility programs, depicted in gray in the diagram on the next page, generally run on an annual cycle from January through December. These programs are created to incentivize customers to implement energy efficiency projects and reduce overall peak load. Most utilities have annual goals for energy savings for kWh, kW and/or therm savings, and implement one-year program cycles to help capture them. Often times, the utility programs continue with the same funding and incentive levels into the following year, however nothing is for certain until the plans are finalized for the upcoming year, typically announced in Q4 or early Q1. A further complication is that once utility program funding for incentives runs out, the program is generally over for that calendar year.

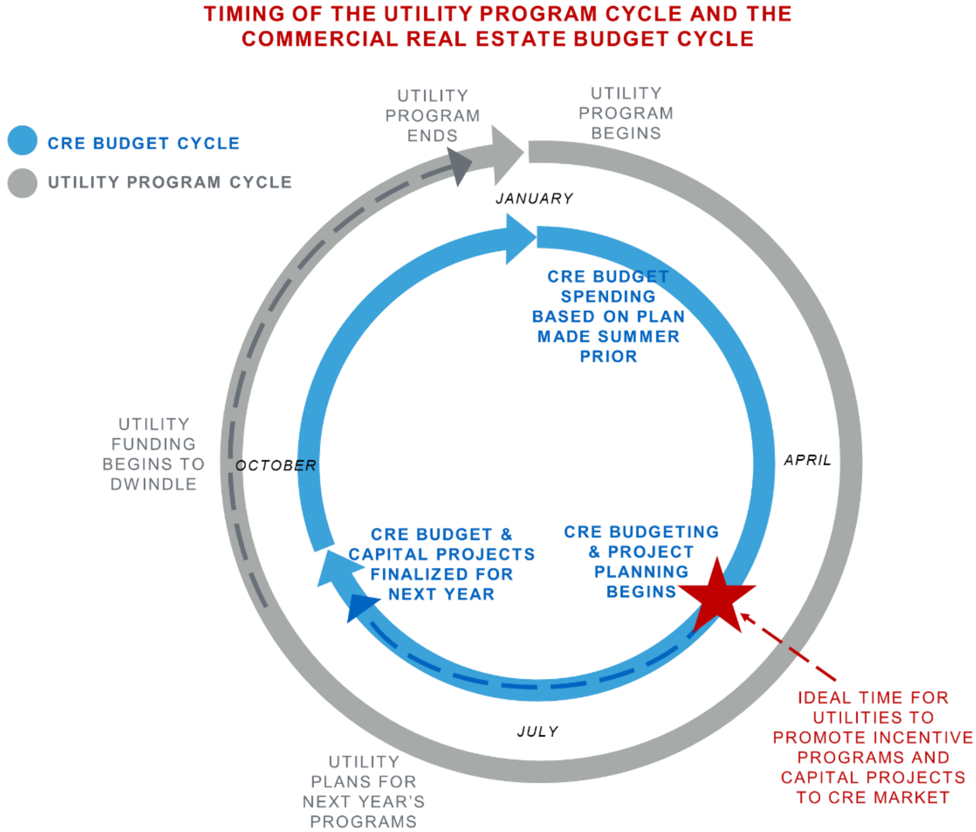
CRE Timing. CRE properties, depicted in blue in the diagram on the next page, also operate on a January to December calendar year. However, these properties plan all upcoming year's expenditures so far ahead that by Fall of the prior year, capital projects and entire budgets have already been solidified. Starting in early summer, CRE stakeholders review their past budgeted versus actual expenditures, and property managers plan out all budgets for the following year. Over the course of the summer, property managers work with their facilities team to identify capital projects for budgeting, ranging from boiler replacement to lobby renovation, and to identify past expenditure patterns to include in the budget plan.

If a utility account manager reaches out to a CRE property manager in, for example, January to discuss a project and incentive opportunity, chances are that property manager won't be able to include a new project in its budget for that year. Furthermore, they will have to wait until the following year to incorporate it as the current year's budget had been finalized in the previous fall. In this scenario, that would only still be applicable and useful to the utility if that same incentive program lasts longer than a single year. It's a long planning cycle that requires patience and forethought for teamwork and success.

The Sweet Spot. So how do we overcome this misalignment of CRE and utility timing? You hit the sweet spot. There is one ideal time for utilities to promote incentive programs for energy efficient capital projects to the CRE Market. This is in late Spring, early Summer; right before property managers are beginning their budget planning for the following year. Depicted in the diagram in red, utilities can present incentive options and ideas to CRE stakeholders to include in their capital planning process.

This also allows for CRE stakeholders to have time to plan and budget for projects that the utility is interested in incentivizing. CRE properties save both in the short term with utility incentives and in the long term with years of energy and cost savings from the higher-efficiency project choices.

Who are these CRE stakeholders? Who needs to be at the table? For a smooth decision-making process, make sure to include the property manager, portfolio manager, chief facility engineer, building owner, and utility account manager.



Waypoint has leveraged its knowledge and relationships in both utility and CRE markets to achieve success in its Connect Program. By strategically timing portfolio benchmarking and property audits to occur before capital planning begins, Waypoint can identify energy efficiency opportunities and craft the financial business case for those measures, all for inclusion into the current year's CRE budget cycle. This program has proven that CRE properties are more prone to adopting the recommended measures, and following suit, utilities obtain increased program participation and energy savings.