

FREQUENTLY ASKED QUESTIONS

GUARANTEED ENERGY SAVINGS AGREEMENTS

Reducing Energy Costs While Improving Performance



1. WHAT IS A GUARANTEED ENERGY SAVINGS CONTRACT (GESA)?

A Guaranteed Energy Savings Contract is a delivery and financing method that allows a school district to implement energy and facility improvements with guaranteed cost savings. Under a GESA, an Energy Services Company (ESCO) designs, installs, and contractually guarantees that the resulting energy savings will cover the cost of the project over time.

2. HOW DOES A GESA WORK IN PRACTICE?

The typical process includes:

- A detailed investment-grade energy audit of district facilities
- Identification of energy and operational improvements
- A guaranteed savings amount backed by the ESCO
- Project implementation and commissioning
- Ongoing measurement and verification of savings

If the guaranteed savings are not achieved, the ESCO is financially responsible for the shortfall.

3. WHY DO SCHOOL DISTRICTS USE GESA?

Pennsylvania school districts commonly use GESA to:

- Address deferred maintenance
- Reduce energy and operating costs
- Modernize aging building systems
- Avoid large upfront capital expenditures
- Transfer performance risk away from the district

4. WHAT TYPES OF IMPROVEMENTS CAN BE INCLUDED?

GESA can bundle multiple improvements into a single program, such as:

- HVAC system replacements
- Geothermal or other high-efficiency heating and cooling systems
- Lighting and controls upgrades
- Building automation systems
- Envelope improvements
- Water conservation measures
- Renewable energy systems (e.g., solar)

Bundling measures allows energy savings from high-return items to support longer-life capital upgrades.

5. HOW IS THIS DIFFERENT FROM A TRADITIONAL CAPITAL PROJECT?

In a traditional project, the district assumes:

- Performance risk
- Energy cost uncertainty
- Responsibility for achieving savings

In a GESA:

- Savings are guaranteed by contract
- Performance risk shifts to the ESCO
- Projects are evaluated on lifecycle cost, not just first cost

6. IS A GESA ALLOWED UNDER PENNSYLVANIA LAW?

Yes. Pennsylvania Act 57 authorizes Guaranteed Energy Savings Performance Contracts for public entities, including school districts. The process is well established and widely used across the Commonwealth.

7. WHAT DOES “GUARANTEED SAVINGS” REALLY MEAN?

The ESCO guarantees a specific dollar amount of annual savings. Savings may include:

- Reduced utility costs
- Reduced maintenance and operating expenses

Savings are measured annually using agreed-upon protocols. If actual savings fall short of the guarantee, the ESCO must reimburse the district for the difference.

8. HOW ARE SAVINGS MEASURED AND VERIFIED?

Savings are verified through a formal Measurement and Verification (M&V) plan that:

- Establishes baseline energy use
- Tracks post-installation performance
- Uses industry-standard methods
- Is reviewed annually

This ensures transparency and accountability over the life of the contract.

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