

ENERGY EFFICIENCY FOR THE HOSPITALITY INDUSTRY

Caribe Hilton - San Juan, Puerto Rico

5/19/10 Session 4 Track A

Energy Management

...By The Numbers

Focusing on ROI results - Not Green Washing

THINK ENERGY MANAGEMENT LLC



THE PLAN - FOR THE NEXT 45 MINUTES

QUESTIONS – Any time (add VALUE to this session)

TOPICS - Open

INTENT – Experience exchange / education

(no products or services promoted)

LOOK FOR -

PRESENTATION - Available via email

(leave a business card)

Hotel Energy Costs = \$7.5 B /year

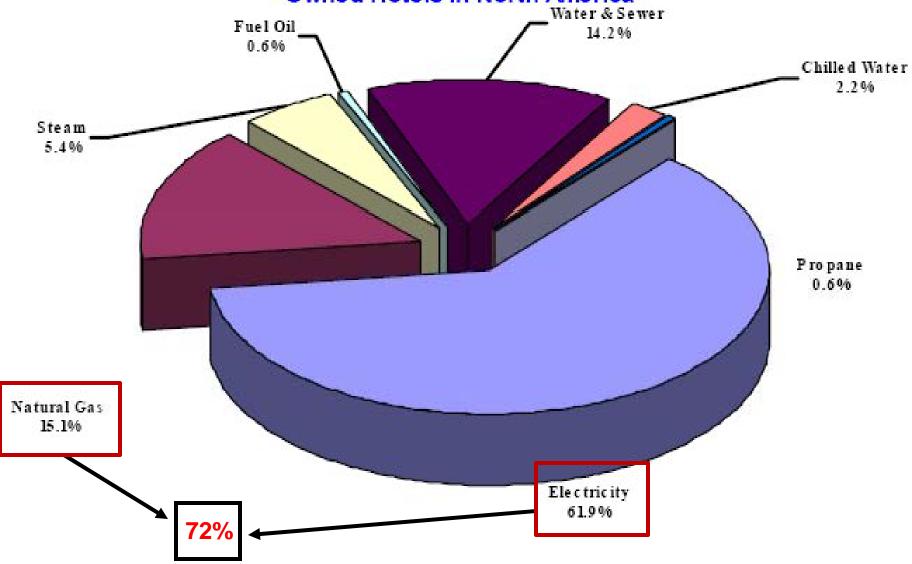
 According to the US E.I.A. program the US hospitality industry spends \$7,500,000,000 for energy each year. That is ...

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$625 M / Month
$ 20 M / Day
$856 K / Hour
$ 14 K / Minute
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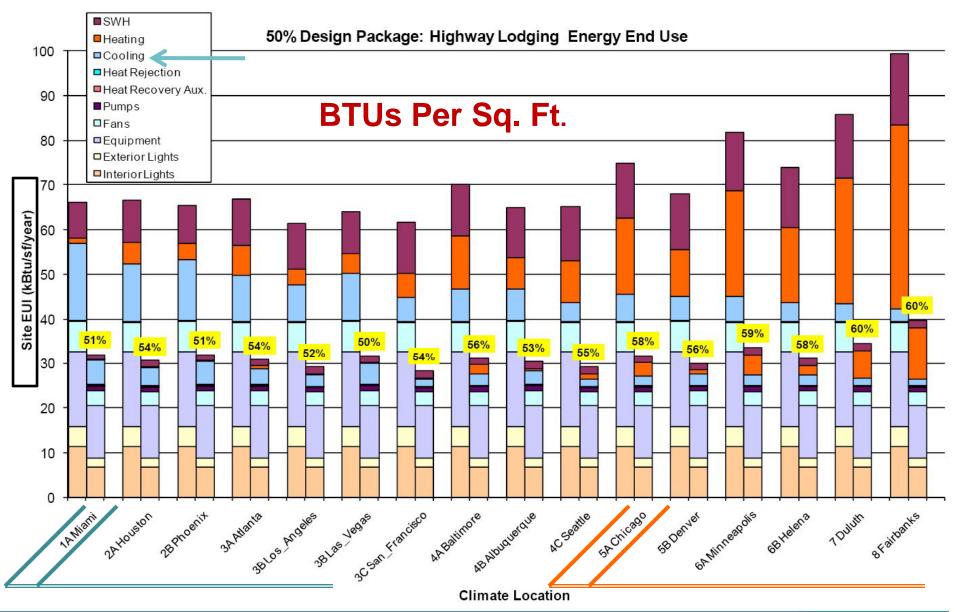
- Average energy cost = \$2+ / SF
- Average annual energy use = 120 Mbtu /SF
 (vs. coml. bldg. average of = 70 Mbtu /SF) 3

Starwood Energy Spend by Fuel

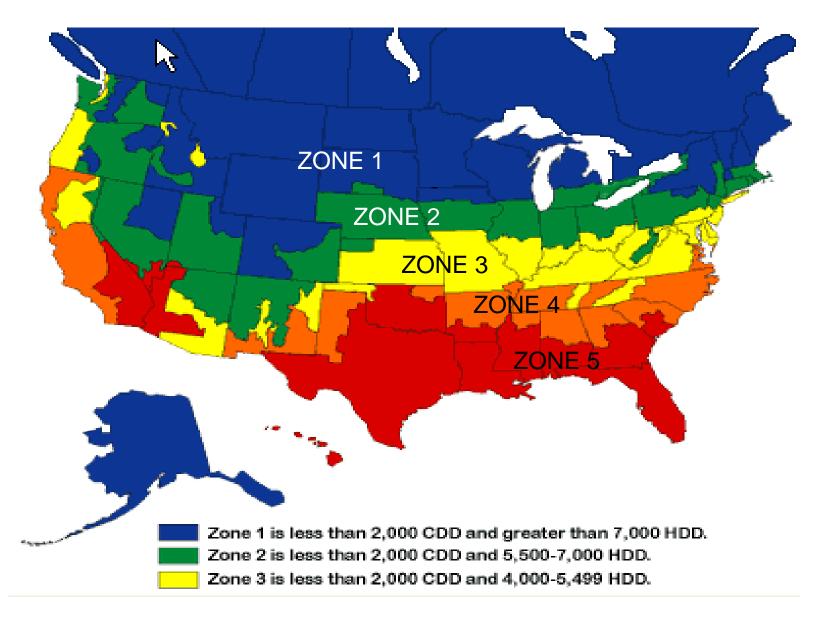
Owned Hotels in North America



'ENERGY BALANCE' ... VARIES BY CLIMATE

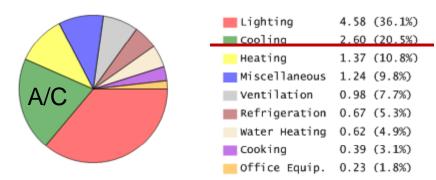


ENERGY USE - ZONES



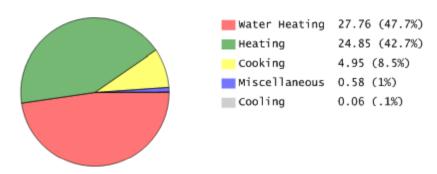


A/C = 20.5%

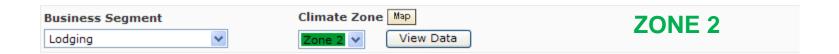


Total Electric Intensity (kWh/sqft): 12.70 Average Electric Consumption per Establishment (kWh): 454,660.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

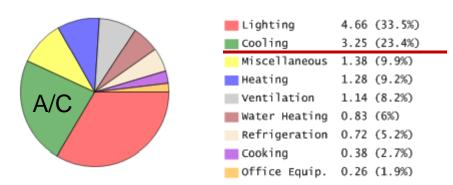
Natural Gas Intensity (kBtu/sqft) Lodging



Total Gas Intensity (kBtu/sqft): 58.20 Average Gas Consumption per Establishment (kBtu): 2,083,560.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

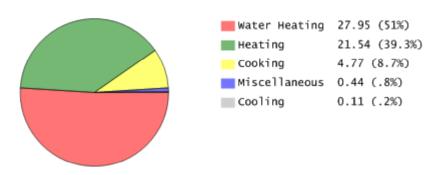


A/C = 23.4%

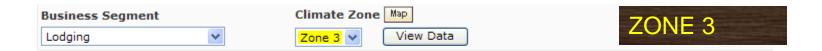


Total Electric Intensity (kWh/sqft): 13.90 Average Electric Consumption per Establishment (kWh): 497,620.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

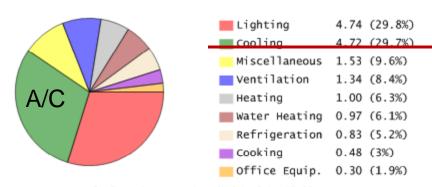
Natural Gas Intensity (kBtu/sqft) Lodging



Total Gas Intensity (kBtu/sqft): 54.80 Average Gas Consumption per Establishment (kBtu): 1,961,840.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

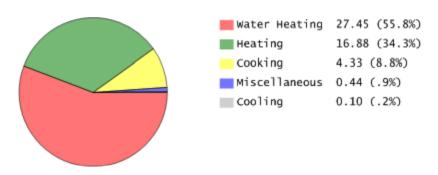


A/C = 29.7%



Total Electric Intensity (kWh/sqft): 15.90 Average Electric Consumption per Establishment (kWh): 569,220.10 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

Natural Gas Intensity (kBtu/sqft) Lodging

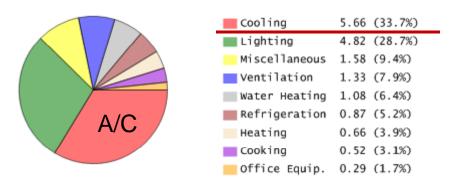


Total Gas Intensity (kBtu/sqft): 49.20 Average Gas Consumption per Establishment (kBtu): 1,761,360.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00



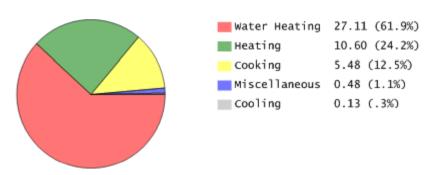
A/C = 33.7%





Total Electric Intensity (kWh/sqft): 16.80 Average Electric Consumption per Establishment (kWh): 601,440.10 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

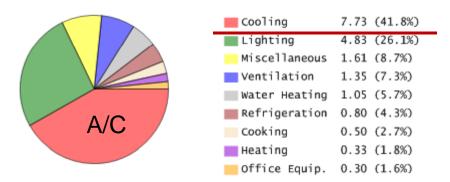
Natural Gas Intensity (kBtu/sqft) Lodging



Total Gas Intensity (kBtu/sqft): 43.80 Average Gas Consumption per Establishment (kBtu): 1,568,040.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

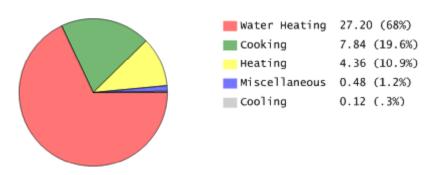


A/C = 41.7%



Total Electric Intensity (kWh/sqft): 18.50
Average Electric Consumption per Establishment (kWh): 662,300.00
Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

Natural Gas Intensity (kBtu/sqft) Lodging



Total Gas Intensity (kBtu/sqft): 40.00 Average Gas Consumption per Establishment (kBtu): 1,432,000.00 Average Enclosed Floorspace per Establishment (ftsq): 35,800.00

Table 3.1. Highway Lodging Prototype Space Type

Space Type	Floor Area Percentage
Guest rooms	63%
Corridor	13%
Lobby/lounge	4%
Stairs	4%
Storage	3%
Office/reception	3%
Meeting room	2%
Laundry room	2%
Elevator	2%
Employee lounge	1%
Restrooms	1%
Exercise room	1%
Mechanical room	1%
Total floor area	100%

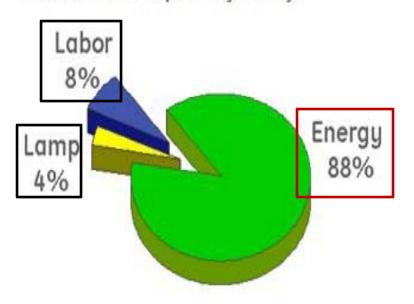
76%

LIGHTING

Cost of Light - Hospitality

The greatest potential for cost saving is electric reduction.

Where should I spend my money?



These percentages are approximates, and actual costs will vary based upon local electricity and labor rates, nature of the facility, type of lighting installed, etc.

Hospitality Energy Savings

A 200 guest room lodging property can reduce its annual lighting related electricity expenses by as much as 45% through better application solutions.

Maintenance & procurement expenses related to lighting will be reduced ten-fold through incorporating better lighting practices into any Lodging Operation.



LIGHTING - Guest Room

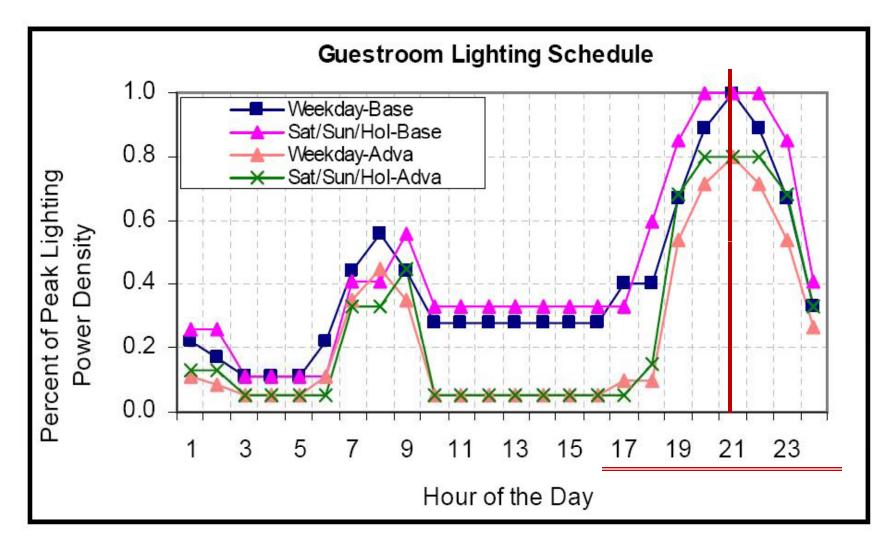


Figure 5.1. Guest Room Interior Lighting Schedule

ELECTRICITY RATES

UNDERSTANDING AND USING THE RATES TO YOUR ADVANTAGE



TIME OF DAY POWER RATES

Rates Effective April 1, 2010



General Service (OGS-1-TOU)

Time Period	Definition	Price per kWh
Summer On Peak	July 1 - September 30, from 1:01 p.m. to 6:00 p.m. weekdays.	\$0.40304 per kWh
Summer Mid Peak	July 1 – September 30, from 10:01 a.m. to 1:00 p.m. and 6:01 p.m. to 9 p.m. weekdays.	\$0.24448 per kWh
Summer Off Peak	All other hours, from July 1 - September 30.	\$0.06816 per kWh
Winter On Peak	October 1 – June 30, from 5:01 p.m. to 9 p.m. daily.	\$0.11611 per kWh
Winter Off Peak	All other hours, from October 1 - June 30.	\$0.06816 per kWh

ELECTRICITY RATES

UNDERSTANDING AND
 USING THE RATES TO YOUR ADVANTAGE



BILLING MEASUREMENT	MEANING	CC	ST	\$ IMPACT
KWH	Consumption	\$	/ KWH	%
KW	Peak Demand (load)	\$	/ KW	%
KW / KVA	Power factor %	\$	/ KW	%

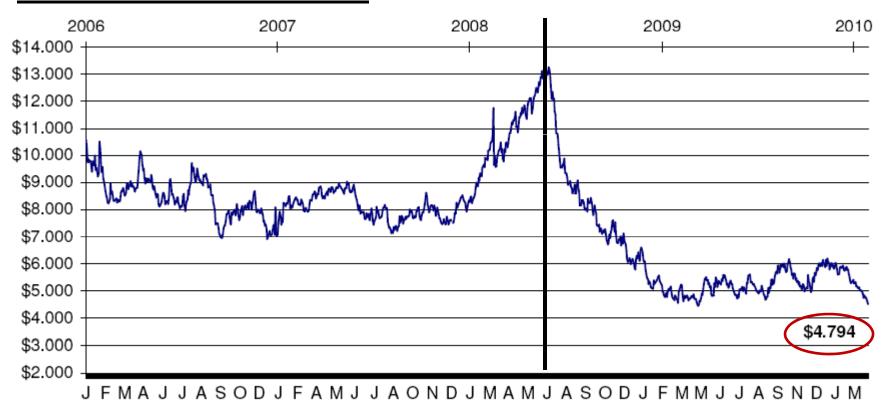
ENERGY USE - LAUNDRY

 Table 4.7. Baseline Laundry Equipment Gas Consumption

		Laundry	COLUMN TO ANNUAL COLUMN	oer Pound of ndry		Gas	Use	
Washer Type	No. of Rooms	Load lb/room (kg/room)	Total Water gallon/lb (L/kg)	Hot Water gallon/lb (L/kg)	% Retained Water (g's)	Annual Water Removed lb (kg)	Annual Gas Use therms (MW)	Gas Use therms/cycle (kWh/cycle)
Standard	77	9 (4.08)	3 (25.03)	1.2 (10.01)	87.5%	221,327 (100,393)	3,995 (117)	0.68 (19.93)

FUEL COST (\$) - NATURAL GAS

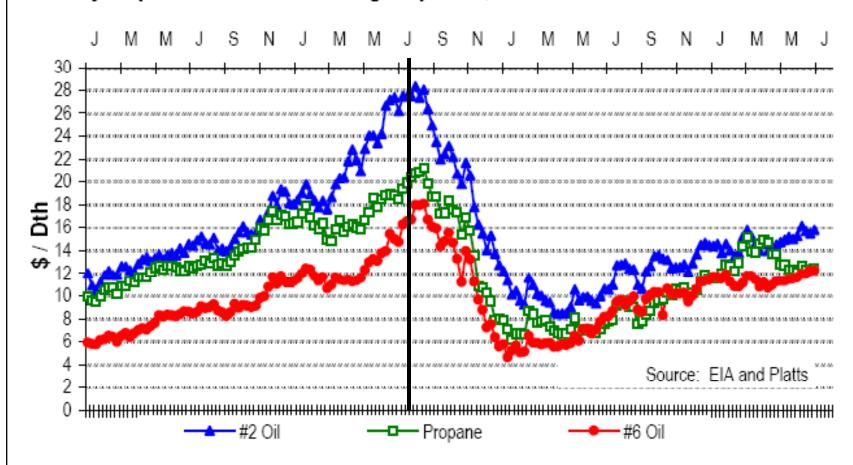
NYMEX Natural Gas 12-Month Strip, April 29, 2010



NG Prices will not stay this low (in the long term)

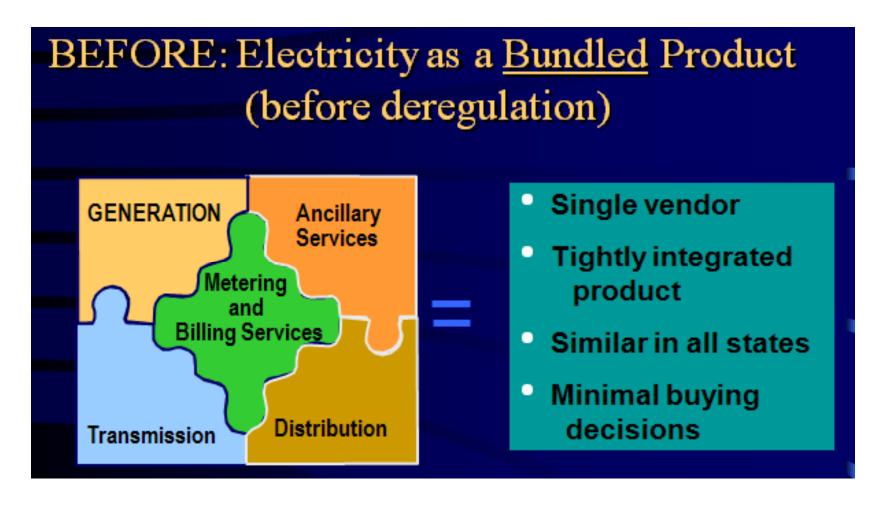
FUEL COSTS (\$) - OIL

Weekly Liquid Fuel Prices through April 27, 2010

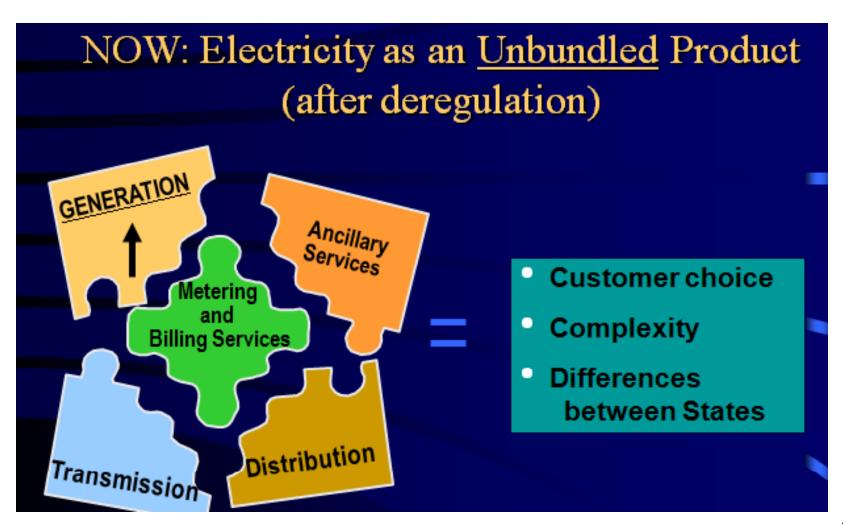


Graph Range: January 2007 through Present

The Good Old Days: REGULATED UTILITIES

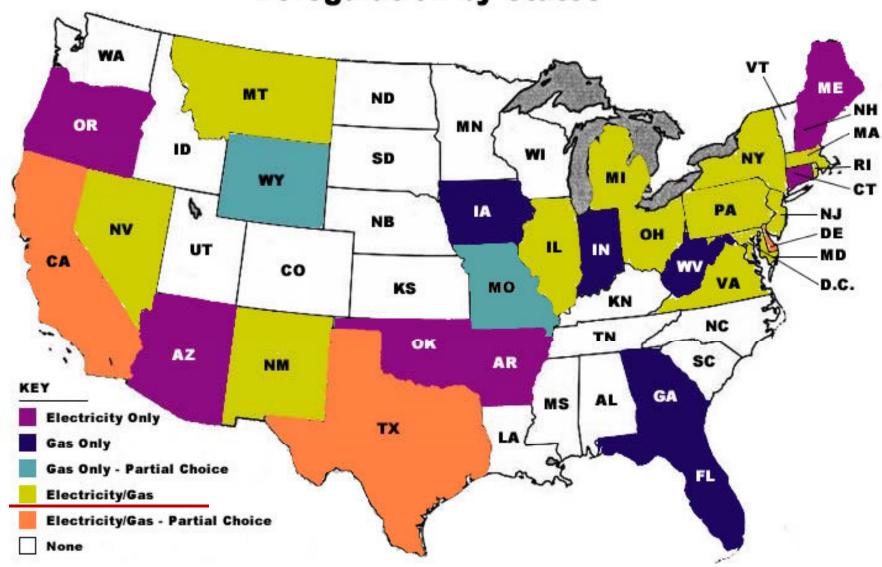


TODAY 50% of the US DE – REGULATED UTILITIES

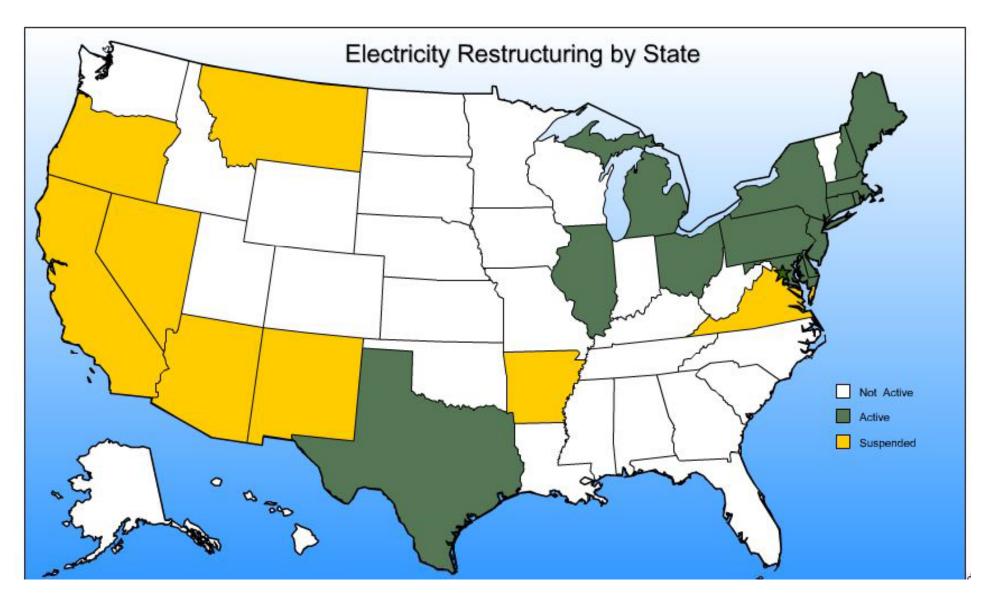


ELECTRICITY and NATURAL GAS

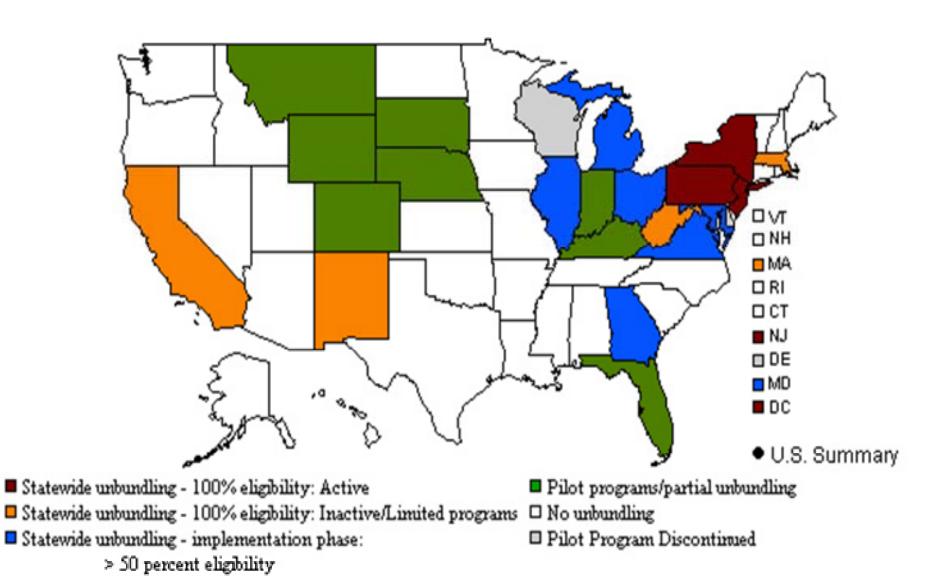
Deregulation by States



ELECTRICITY - DEREGULATED



NATURAL GAS - DEREGULATED



ENERGY MANAGEMENT



Supply -Side

- Regulated tariffs
- De-regulated *energy commodities*
- Energy commodities price and Ts & Cs
- Seek expert assistance
- Budgeting advice

Demand-Side

- Getting the GM & DOE to support the process near term and long term
- Incentives for DOE for beating YOY energy consumption?
- Better control of employees* & contractors (human behavior)
- Better control of equipment
- Energy efficiency improvements
- Energy Conservation Measures (ECMs)
- Letting DOEs get quotes alone (vs. with expert assistance)

^{*} Policies, procedures, posters in more than one language?

DATA: 'YOU CANNOT CONTROL WHAT YOU DO NOT MEASURE'



<u>Energy Management – at the portfolio level</u>

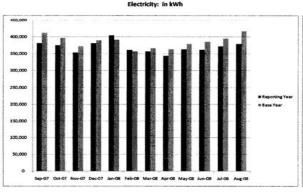
- Annual 'utility spend' portfolio wide
- Annual utility spend by property
- Monthly summary of utility cost and consumption by property (c/o utility exports to Excel, screen captures, fax ... or via snail mail)
- Average cost unit energy unit (converted to common standard billing units KWH, Therms, 1000 gallons of water plus other fuels like district energy)
- Tracking energy cost (\$) and energy consumption (#)
- Internal database via accounting system(s)
- Actual utility bill database (with details) vs. accounting system dollars
- External database (bill payment, administration and reporting)
 - Third party system enrollment (and re-direction of utility bills)
 - \$8 to \$12 / month per utility account (meter)
 - Back-filling the history from utility bills or utility printouts (for YOY and YTD report)
 - Process requires time, follow through and patience ... to get it right
 - WARNING: 'Talking to 'IT' people '

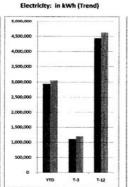


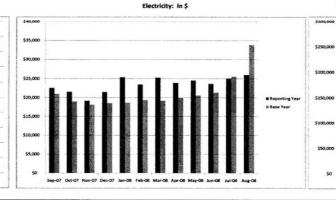
MONTHLY ENERGY - DASH BOARD



Electricity:							SCHOOL ST		-330000						(Trend)		1	(
Reporting Yr (2008)	Se	p-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	YTD	T-3	T-12	Reporting Yr (2008)	
Wh	. 3	81,606	374,698	353,392	381,223	404,326	360,947	356,912	343,461	362,970	361,639	371,852	379,077	2,941,184	1,112,568	4,432,103	kWh	
	\$	22,564	\$ 21,544	\$ 19,127	\$ 21,472	\$ 25,348	\$ 23,463	\$ 25,264	\$ 23,900	\$ 24,536	\$ 23,674	\$ 25,030	\$ 26,047	\$ 197,262	\$ 74,751	\$ 281,969	\$	
lase Yr (2007)	Se	p-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	YTD	T-3	T-12	Base Yr (2007)	
Wh	4	12,072	396,517	371,837	388,975	391,626	356,990	365,972	362,927	378,829	385,338	394,970	416,562	3,053,214	1,196,870	4,622,615	kWh	
	\$	20,937	\$ 18,925	\$ 18,109	\$ 18,547	\$ 18,683	\$ 19,344	\$ 19,152	\$ 19,890	\$ 20,584	\$ 21,345	\$ 25,547	\$ 33,846	\$ 178,391	\$ 80,738	\$ 254,909	\$	
Variance					200000000000000000000000000000000000000	7-1-7-1-7-1-7-1-7-1-7-1-7-1-7-1-7-1-7-1	7-1-1		-1.	1,772,743,00							% Variance	
Wh		-7.39%	-5.50%	-4.96%	-1.99%	3.24%	1.11%	-2.48%	-5.36%	-4.19%	-6.15%	-5.85%	-9.00%	-3.67%	-7.04%	-4.12%	kWh	
		7.77%	13.84%	5.62%	15.77%	35.67%	21.29%	31.91%	20.16%	19.20%	10.91%	-2.02%	-23.04%	10.58%	-7.42%	10.62%	l s	

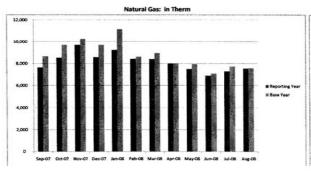


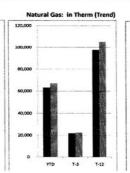


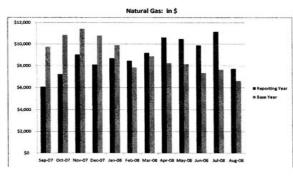


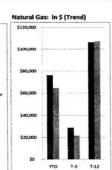
1	\$300,000			
	\$250,000			h
	\$200,000	L		
	\$150,000			
-	\$100,000	ı	200	
	\$50,000	No.		
1	50	YTD		ভ

Natural Gas:																5,404											(1	rend)			
eporting Yr (2008)	S	p-07		Oct-07		Nov-07	ι	Dec-07	J	lan-08	Feb	-08	M	lar-08	A	pr-08	N	fay-08	Jun	-08	Ju	1-08	Aug	-08	YT	D		7-3	- 7	T-12	Reporting Yr (2008)
erm	\$	7,634 6,075	\$	8,514 7,225	5	9,694 9,029	\$	8,569 8,098	\$	9,232 8,689		8,417 8,447	s	8,393 9,168	s	7,981 10,647	5	7,483 10,509	s	6,898 9,883	5	7,284 11,151	\$ 7	,527 ,724		6,215 6,218	\$	21,709 28,758	s	97,626 106,645	Therm \$
se Yr (2007)	S	p-06		Oct-06	177	Nov-06	E	Dec-06	1	lan-07	Feb	-07	м	lar-07	Α	pr-07	٨	1ay-07	Jun	-07	A	1-07	Aug-	-07	Y7.	D		T-3	7	T-12	Base Yr (2007)
herm		8,662		9,696	7	10,271		9,704		11,146	-10-00	8,610		8,951		7,994		7,936		7,087		7,725	7	,574	6	7,023		22,386		105,356	Therm
	\$	9,749	\$	10,877	\$	11,427	\$	10,801	\$	9,903	\$	7,850	\$	8,883	\$	8,238	5	8,159	\$	7,340	\$	7,644	\$ 6	,615	\$ 6	4,632	\$	21,599	\$	107,486	\$
ariance																															% Variance
erm		-11.87%	0.0	-12.19%		-5.62%	9, 1	-11.70%		-17.17%	1.0	-2.24%	31	-6.23%	į.	-0.16%		-5.71%		-2.67%		-5.71%	-4	0.62%		-5.68%		-3.02%		-7.34%	Therm
		-37.69%		-33.58%		-20.99%		-25.03%		-12.26%		7.61%		3.21%		29.24%		28.80%	3	4.65%		45.88%	16	5.76%	- 1	17.93%		33.15%		-0.78%	\$









SAMPLE PORTFOLIO: SORTED by MMBTU / SF (in yellow)

NAME	RMS	SQ FT	ENERGY COST	MMBTU	\$/ROOM	COST SQ FT	MMBTU SQ FT	COST PAR	MMBTU PAR
1	12 00	949,54 2	\$ 2,420,239	149,278	\$ 2,030	\$ 2.55	0.16	\$ 2,030	\$ 125
2	38 4	353,00 0	\$ 916,445	54,158	\$ 2,387	\$ 2.60	0.15	\$ 2,387	\$ 141
3	27 4	179,99 9	\$ 685,297	25,727	\$ 2,501	\$ 3.81	0.14	\$ 2,501	\$ 94
4	50 9	313,00 0	\$ 484,155	43,609	\$ 951	\$ 1.55	0.14	\$ 951	\$ 86
5	18 2	180,00 0	\$ 494,586	24,389	\$ 2,718	\$ 2.75	0.14	\$ 2,718	\$ 134
6	50 4	551,32 9	\$ 1,457,947	73,993	\$ 2,893	\$ 2.64	0.13	\$ 2,893	\$ 147
7	40 9	339,00 0	\$ 625,006	41,809	\$ 1,528	\$ 1.84	0.12	\$ 1,528	\$ 102
8	31	206,35	\$		\$ 1,277	\$ 1.96	0.12	\$ 1,277	\$ 80
	6 48	6 321,20	403,475 \$	25,340	\$	\$	0.12	\$ 1,552	\$ 74
9	6 52	0 800,00	754,462 \$	36,120	1,552 \$	2.35		\$	\$
10	1	0 664,71	891,202 \$	79,502	1,711 \$	1.11 \$	0.10	1,711 \$	153 \$
11	10	2	1,175,925	64,292	1,164	1.77 ¢	0.10	1,164 \$	64 \$
12	49 2	547,00 0	\$ 880,214	45,168	\$ 1,789	\$ 1.61	0.08	1,789	92
13	48 7	375,00 0	\$ 887,371	29,957	\$ 1,822	\$ 2.37	0.08	\$ 1,822	\$ 62

ENERGY MANAGEMENT

Doing nothing ... is not an answer



- What the CEO and CFO want to know (the problem)
- What can be done (the solutions)
 - Understanding the EM opportunities
 - Trends: Increasing electricity and natural gas costs for energy commodity <u>and</u> delivery fees in regulated and de-regulated markets
 - Investments = ROI, NPV and asset appreciation
 - Getting capital (selling the project)
 - **Tracking** and reporting the results





<u>Demand-Side EM – First Step = Energy Audit</u>

- Level 1 Energy Audits
 - low cost / no cost ECMs and O&M savings
 - people issues
 - ECMs with ROI
- Level 2 Energy Audits
 - specific ECMs, ROI and NPV
 - specifications and bids
- Level 3 Energy Audits
 - investment grade
- Use only utility cost savings (hard numbers), real O&M savings (exclude other soft benefits)
- Owner's role vs. the chain's DOE or Energy Manager

EM Strategies and Goals

What is your firm's investment horizon?

- REIT
- Private equity
- Only properties that are long term holds?
- Short payback periods only? (skimming the cream only)
- Longer term perspective?
- ROI and NPV only?
- Asset appreciation!

.....

FUND ONLY THE TOP 3 TO 5 ECMs?

→ The best ECMs can pay for the less attractive ECMs

ENERGY MANAGEMENT AS AN INVESTMENT

Simple Payback Period	Return on Investment
1 Year	100% ROI
2 Years	50% ROI
3 Years	33% ROI
4 Years	25% ROI
5 Years	20% ROI
6 Years	17% ROI

Demand - Side (energy) Facts of Life

"You are already paying for the energy management project ... whether it is done or not"

"Self funded energy management projects are paid for with funds normally given away to the utility companies"

DEMAND SIDE EM: PROVEN ECMs

CONTROL WHAT YOU ALREADY OWN!

- Common area HVAC Scheduling

 Guest Room HVAC **EMS**

- Lighting F&B staff control

- Kitchen Cooking, defrost, WIF/WIC ... SOPs

- Kitchen Exhaust / MUA VFD control

- Central plant Chillers, boilers, cooling towers, pumps

- EMS for common area DDC BAS/EMS with schedules

- EMS for guest rooms Occupancy based control

- VFDs

Reduce speed 20% = save 50%

HETs, HEIs, Low flow shower heads - Water conservation

- Retro Commissioning Large HVAC with DDC controls

- **DSM rebates** from utility or state energy office

- **EPACT** of 2005 tax incentives via section 179D (lighting vs. other improvements)

- **DR** = Demand Response in some markets

ECMs



RETROFIT - Lighting (CFL, Super T8, LED, Induction, controls)

AVOID 'leading edge' technology without a proven track record for energy saving results (look for EnergyStar label - on some equipment)

CONSIDER lifecycle cost of high efficiency equipment for new construction and major renovations (i.e. Std. replacement chiller vs. chiller with VFD)

PLANS & Specification vs. Design / Build Vendors ... quoting what they like.

BEST IN CLASS national vendors (w/ national acct prices and project management teams)

INDEPENDENT ROI NUMBERS (not just vendor numbers) Independent advice: such as a Certified Energy Manager (CEM) or registered professional engineer (PE)

ROI FOR COMMON ECMs

Based on Average USA Energy Cost

ENERGY CONSERVATION	PAYBACK
MEASURES (ECMS)	PERIOD (YEARS)
Energy Management System - new	1 to 4
High Efficiency Motors & VFDs	1 to 3
Lighting Fixtures & Ballasts - retrofit	1 to 5
Steam Trap - replacement / repairs	1 to 5
Energy Management System - replacement	1 to 6
Manufacturing Process - heat recovery	2 to 5
Boiler - replacement	7 to 12
Chiller - replacement	8 to 12
Rooftop Unit HVAC - replacement	9 to 15
Building Insulation	10 to 15
Roof Insulation	20 to 30
Windows - replacement	20 to 50

QUESTION: Are the TV ads about replacement windows correct?

DSM: Demand Side Management REBATES

from local Utility Companies or your State Energy Office

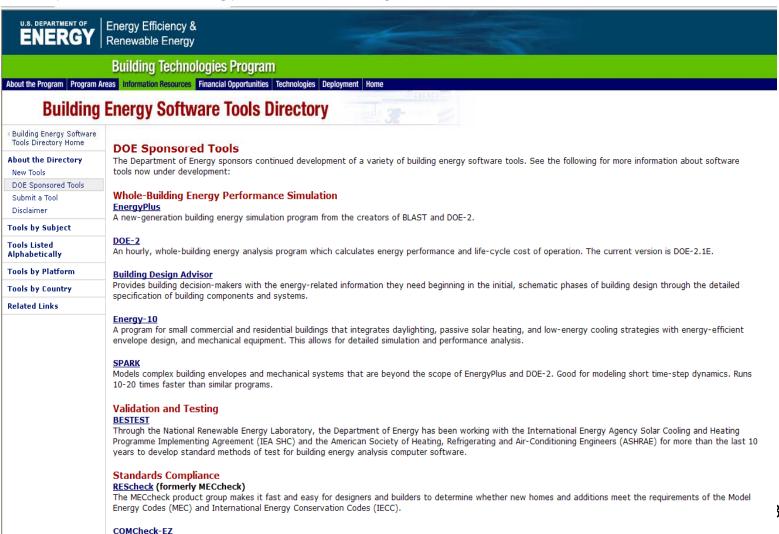
http://www.dsireusa.org/



U.S. DEPT OF ENERGY - FREE TOOLS

http://apps1.eere.energy.gov/buildings/tools_directory/doe_sponsored.cfm

Nearly 300 free energy software programs available for down load

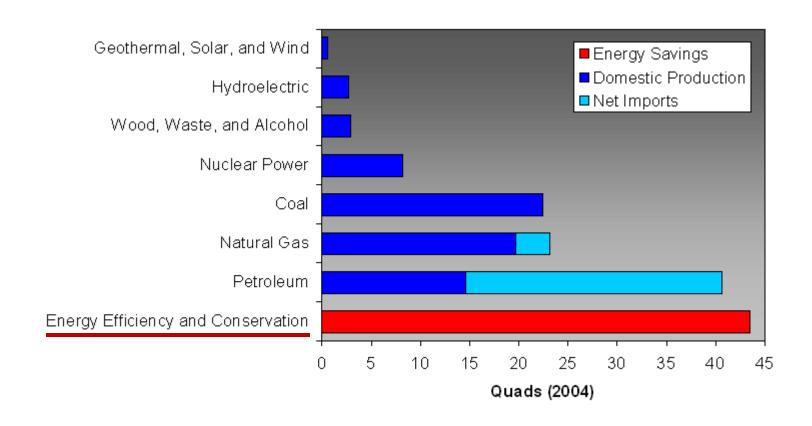


COMcheck-EZ offers an easy-to-understand process for demonstrating compliance with ASHRAE 90.1-1989 and IECC commercial energy code requirements for

envelope, lighting, and mechanical systems.

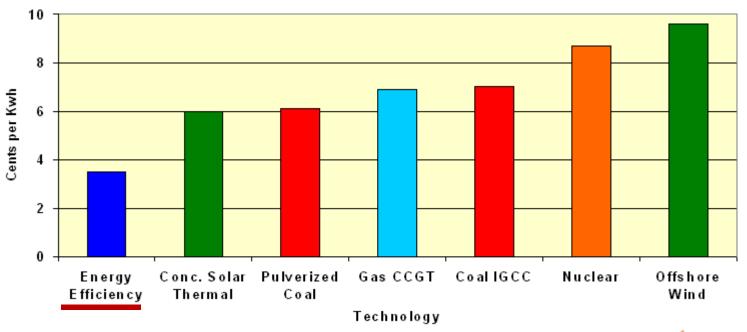
ENERGY EFFICIENCY

- BEST SOURCE OF 'NEW' ENERGY



COST OF ENERGY EFFICIENCY

vs. MAKING MORE ENERGY



Source: Neal Elliott, PhD., ACEEE 2006, EPRI 2006

BOTTOM LINE RESULTS

- Benchmarking (consumption/ SF, Consumption/ Rm., BTUs/SF)
- Measurement & Verification (M & V)
- Follow-up reporting to Senior Management and investors
- PR benefits
 (EnergyStar Partner, Green programs
 ... avoid 'green-washing')

EM Process

- Portfolio level Data!

Supply Side No capital

- Demand Side Active Energy Management

ENERGY MANAGEMENT – SUCCESS!

APPROACH FOCUS ON

Traditional = Demand-Side

De Regulation = Supply-Side

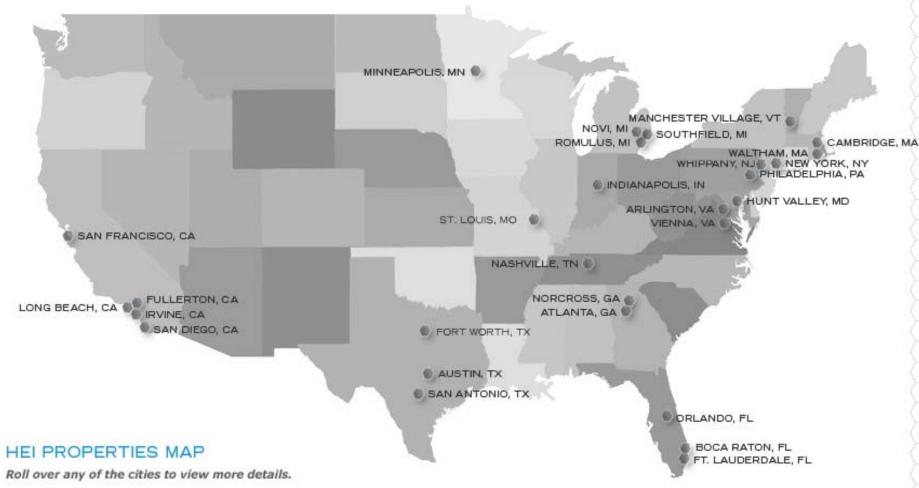
Winning = Supply-Side and Demand-Side

EXAMPLE: A TEM CLIENT

Properties: Map



MAP



Corporate Energy Management Project of the Year

2009 World Energy Engineering Congress



HEI HOTELS & RESORTS

ENERGYSTAR 2010 - PARTNER OF THE YEAR AWARD



HEI HOTELS & RESORTS

Reduced Utility Costs by 24 %!

DIRECTIVE: REDUCE ENERGY COSTS BY 20% THIS YEAR!

Don't Say it Can't Be done!



CAP and TRADE TAX (HR 2454)!

- \$ 80 B / yr.? In new taxes *
- \$3,000 per family / yr.

* ENERGY TAX INCREASES:

- + \$0.025 / KWH
- + \$1.50 / MCF
- + \$0.28 / Gallon of gasoline

STATUS

PASSED US HOUSE (July 2009)
PROPOSED US SENATE (May 2010)

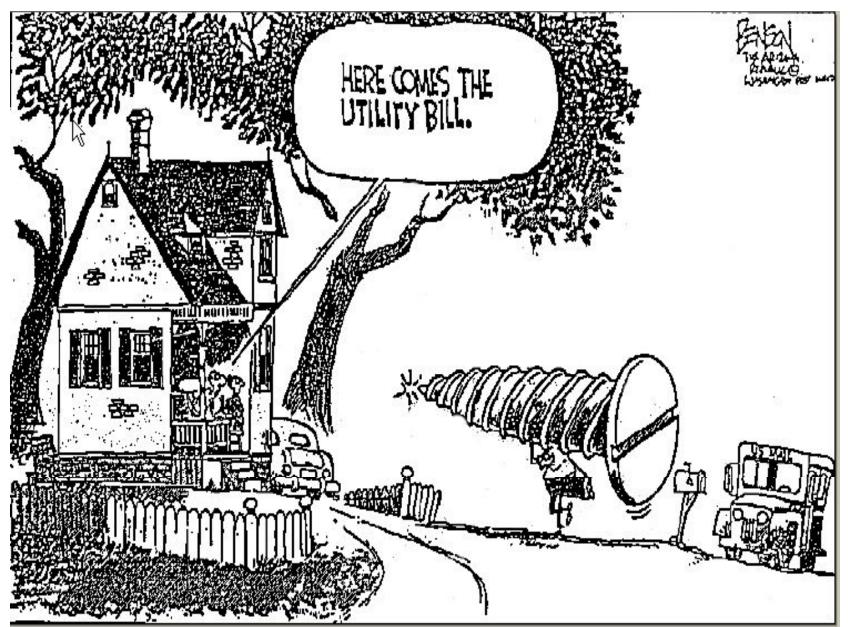
http://www.rules.house.gov/111/LegText/111_hr2454.pdf

IRS Estimate = +\$100B to \$200B/yr.

DBA CAP & TAX







Richard G. Lubinski

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RESOURCES (URLs)

- www.think-energy.net
- http://www.energystar.gov/index.cfm?c=hospitality.bus_hospitality
- http://www.energystar.gov/index.cfm?c=business.bus_commit
- http://www.treeo.ufl.edu/greenlodging/
- http://www.energystar.gov/ia/partners/downloads/Success_Story_Th inkEnergy_HEI.pdf
- http://www.gelighting.com/na/business_lighting/lighting_applications/ hospitality/index.htm