

ENERGY EFFICIENCY

Firms trim power hogs' appetites

Retrofitting existing buildings takes big bite out of utility costs

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When Larry Moser looked at the brick office building near Parkland Memorial Hospital in Dallas four years ago, he saw a good real estate investment.

He didn't realize that the 1970s building and its medical research tenants would be energy hogs, costing him about \$480,000 this year as prices soared.

Enter Dallas-based Transcend Equity Development Corp., which helps make buildings more energy-efficient.

By hiring Transcend to replace heating coils and make other changes, Mr. Moser estimates that he'll nearly halve his energy bill. It will cost about \$1 million, but it's a "nice return on investment," he said.

Transcend is among a few local companies specializing in energy assessment and management services for existing buildings. They are seeing increased demand as more companies look for ways to save money during the economic downturn.

Building utility costs have jumped 19 percent in the last two years, according to a recent study by the International Facility Management Association. And some cities are set to see electricity rate caps expire.

The tight credit market is



G.J. McCARTHY/Staff Photographer

Transcend Equity Development president Steve Gossett Sr. (left) and founder and vice president Steve Gossett Jr. help companies get their utility use under control by making their buildings more energy-efficient.

making it more difficult for energy service providers to secure financing, officials said.

Transcend depends on bank loans for most of its work. Banks are more cautious, but capital still is available for "green projects," said Steve Gossett Jr., who founded Transcend in 2001.

Transcend has retrofitted 27 buildings nationwide, includ-

ing three in Texas, and 14 more are in the works.

A typical retrofit takes seven months, costs an average of \$1 million and generates energy savings up to 50 percent, Mr. Gossett said. Work often includes new heating, cooling and lighting systems, insulation, controls and roof tiles.

Transcend finances most projects under a managed en-

ergy service agreement at no upfront cost to the client.

Here's how it works: Transcend makes and pays for improvements and the client's energy bills for a set amount of time, say five years. The client pays its previous average energy bill to Transcend, which reaps the energy savings and profits from the difference in energy costs. When the con-

tract expires, the client is left with a more efficient building and lower operating costs, Mr. Gossett said.

"We are a vehicle to accomplish all these great things you want to do and not pay for it," he said. About 10 percent of clients, such as Mr. Moser, simply pay Transcend a fee for appraisals and improvements.

So far, Transcend's largest

project has been 24 buildings for Maryland-based Corporate Office Properties Trust.

Privately held Transcend doesn't disclose revenue and profit, but annual revenue growth has been about 30 percent and the company is profitable, Mr. Gossett said.

"The growth and acceptance level have not been what I hoped, but it's close," said Steve Gossett Sr., who left retirement to join his son as Transcend's president. "This is such a revolutionary idea that it's been difficult for customers to grasp what we're doing."

Father and son have worked together before. In 1995, Mr. Gossett joined Dallas-based CSI Control Systems International, the company his father founded. In 2000, the elder Mr. Gossett sold CSI to TAC Americas, which now is a rival of Transcend.

Some other companies do what Transcend does but focus on different niches.

Carrollton-based TAC mainly helps cities and schools become more efficient. It arranges outside financing for clients, who pay for improvements, said Ken Broach, director of sales for energy solutions.

Dallas-based Current Energy offers three payment options mainly to fast-food restaurants and convenience stores: The client foots the bill, Current pays the tab or they share costs, said Joe Harberg, a principal partner. It has aggressive growth plans for that business, he said.