



**Energy Savings Performance Contracting:
Guidelines for Developing, Staffing, and
Overseeing a State Program**

Energy Savings Performance Contracting: Guidelines for Developing, Staffing, and Overseeing a State Program

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FOR MORE INFORMATION

For additional resources and more information regarding *Energy Savings Performance Contracting Guidelines for Developing, Staffing, and Overseeing a State Program*, visit DOE's Technical Assistance Program's Solution Center at

http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html

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Terminology

Common terms used throughout this document and the appendices include:

- **Client, Facility Owner, Agency, End-User, and Institution** all refer to the entities that you may assist through your ESPC program.
- **Energy Savings Performance Contract (ESPC), Energy Performance Contract, Performance Contract, and Guaranteed Energy Savings Agreement** are used synonymously.
- **ESPC Field Representative, Technical Assistance Provider, Third-Party Facilitator, and Owner's Representative** are used synonymously, except that an ESPC Field Representative has a less-involved role than the others in helping an owner through the ESPC process.

Common Acronyms

BTU	British Thermal Unit
CHP	Combined Heat & Power
DOE	United States Department of Energy
EPA	United States Environmental Protection Agency
ESC	Energy Services Coalition
ESCO	Energy Service Company
ESPC	Energy Savings Performance Contract
FEMP	Federal Energy Management Program
HVAC	Heating Ventilation and Air Conditioning
IGA	Investment Grade Audit
IPMVP	International Performance Measurement and Verification Protocols
kWh	kilowatt-hour
LBNL	Lawrence Berkley National Laboratory
LOC	Life of Contract
MOU	Memorandum of Understanding
M&V	Measurement & Verification
NAESCO	National Association of Energy Service Companies



O&M	Operation & Maintenance
ORNL	Oak Ridge National Laboratories
RFP	Request for Proposal
RFQ	Request for Qualifications
SEO	State Energy Office
TA	Technical Assistance

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Overview

The *Energy Savings Performance Contracting Guidelines for Developing, Staffing, and Overseeing a State Program* (Program Guidelines) provide information, best practices, and resources on how to develop an Energy Savings Performance Contracting (ESPC) program. The goal is to increase acceptance and use of ESPC by state and local governments to achieve large-scale and comprehensive energy-saving projects.

The intended audience of the Program Guidelines is State Energy Offices (SEOs). Other entities that might find this document equally useful include those who oversee or influence institutions, such as state building administrations, school district funding authorities, or associations with a government or buildings focus.

The Program Guidelines include 30 customizable documents, templates, contracts, and checklists in Appendices A through F, tailored for various possible stakeholder groups. For example, Appendix C-10 (Program Guidelines Template) might be particularly useful for entities seeking to develop an ESPC program. The Program Guidelines Template includes an outline and key introductory information to summarize and maintain information on key decisions and document development.

These Program Guidelines also include numerous hyperlinks to external websites with useful program resources.

The first chapter describes the key issues of ESPC, followed by a chapter describing the core elements of a program to promote ESPC. Subsequent chapters present more detail on program elements including developing an education and outreach program, establishing a standardized procurement and contracting process using model documents, providing technical assistance to oversee projects, and staffing a program.

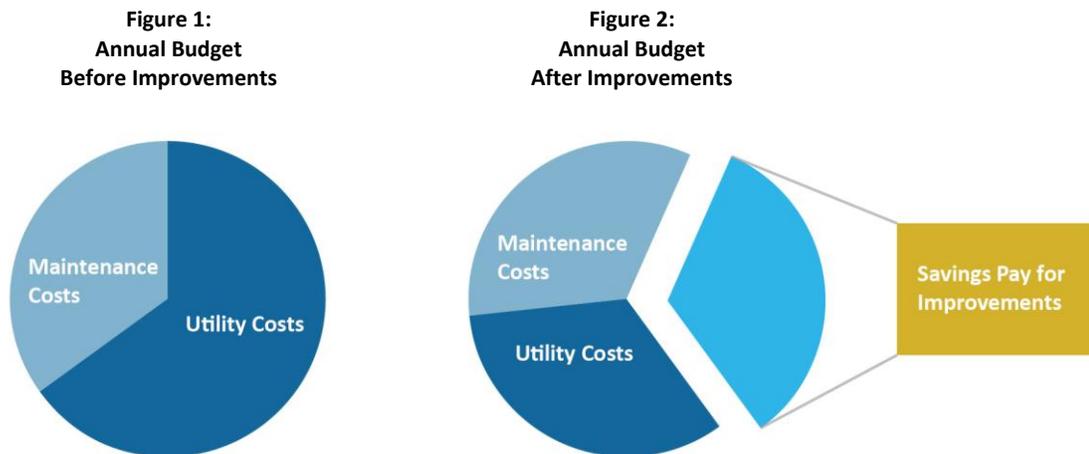
1. ENERGY SAVINGS PERFORMANCE CONTRACTING (ESPC)

It is important to understand the many different aspects of performance contracting, presented in this section, in order to develop an effective ESPC program that will help facility owners overcome technical, financial, and process barriers to successful projects. This section presents an overview of the key elements of ESPC.

ESPC, or performance contracting, is a budget-neutral approach to performing building improvements that reduce energy and water use while increasing operational efficiency. ESPC enables owners to implement cost-saving projects now, without capital budgets. The resulting cost savings pay for efficiency projects over time. Projected annual savings are guaranteed to meet finance payments and any other project costs. Ideal candidates for ESPC include any large building or group of buildings such as city, county, and state buildings; schools; hospitals; commercial office buildings; and multifamily buildings.

1.1 How ESPC Works

Facility operating costs for utilities and maintenance may be higher than needed due to deferred maintenance, aging equipment, and inefficient operations. An ESPC project can put those dollars to better use.



Facilities can redirect a portion of their utility and maintenance budgets to invest in the facility, as shown in the above diagram. Figure 1 shows an annual budget before improvements, where a portion of the budget pays for utilities and another portion pays for maintenance. Figure 2 reflects the same budget after installation of cost-saving improvements. Upgrading to equipment that is more efficient and optimizing operations reduces utility costs. Reduced demand for replacement parts and contracted services lowers maintenance costs. The resulting savings frees up a portion of the facilities' annual budget to pay for the improvements over time.

In an ESPC project, the projected savings are guaranteed. A third party generally finances the total project cost, using the guaranteed annual projected savings to pay for the improvements over time, often within 15 years. Therefore, facility owners can make the building improvements right away without asking for appropriations and without impacting the capital budget.

Figure 3: ESPC Project Costs and Savings over a 15-Year Period

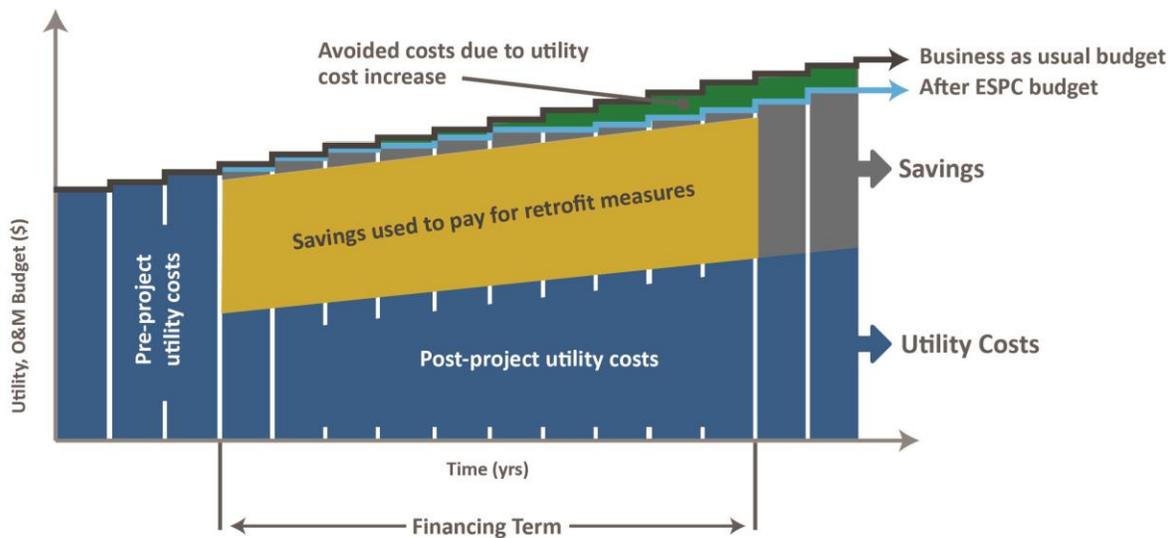


Figure 3 illustrates costs and savings over a 15-year period. The blue segments show the true utility costs before and after the retrofits. The yellow segments show the savings (or avoided costs) that pay for the project during the financing term. The gray segments show the savings that continues after the owner finishes paying for the ESPC project. This savings continues through the remaining useful life of the equipment. The green segment at the top reflects the typical circumstance in which utility costs escalate more than planned, leaving the owner with added “avoided costs” in the budget. As you can see, the bulk of the resulting savings is now available to make the annual payments on the cost-saving improvements. Following are links to documents that a state program may use to help explain the ESPC concept and process to staff and potential owners.

ESPC PROGRAM RESOURCES

- [What Is Energy Savings Performance Contracting?](#)
This document is a US Department of Energy (DOE) fact sheet on ESPC.
(www1.eere.energy.gov/wip/solutioncenter/pdfs/T2_ICF_FS1_WhatisESPC_FINAL_052311.pdf)
- [Introduction to Energy Performance Contracting](#)
This document is a US Environmental Protection Agency (EPA) introduction to ESPC.
(www.energystar.gov/ia/partners/spp_res/Introduction_to_Performance_Contracting.pdf)

1.2 Energy Service Companies (ESCOs)

An Energy Service Company (ESCO) typically implements the performance contract. The ESCO provides the following services in a turnkey approach:

- Identify and evaluate project opportunities
- Propose a project with a cash flow from savings to pay for all costs
- Educate about project financing
- Design, commissioning, installation, and construction management
- Train staff members
- Provide ongoing maintenance services (optional)

- Measure and verify savings
- Guarantee the projected savings
- Provide a fixed-cost project, carrying the risk and cost of change orders

The ESCO industry grew out of several industries: energy engineering firms, building controls manufacturers, and (in some cases) utilities. This mature industry uses standardized processes and approaches, but exhibits great flexibility and creativity in meeting the ever-changing challenges and interests of owners. ESCOs differ from other energy efficiency firms by taking on the technical and performance risk through an ESPC contract, and by applying the financial mechanism to develop large-scale, comprehensive projects.

ESPC PROGRAM RESOURCES

- [Energy Services Coalition](http://energyservicescoalition.org/)
The Energy Services Coalition (ESC) is a non-profit organization, a public-private partnership dedicated to increasing the use of energy savings performance contracting.
(<http://energyservicescoalition.org/>)
- [National Association of Energy Service Companies](http://naesco.org) (NAESCO)
NAESCO is the industry association for ESCOs and oversees an ESCO accreditation program.
(<http://naesco.org>)

1.3 Candidates for ESPC Projects

The size and scope of an ESPC project are governed by the facilities' savings potential, financing term, savings stream options, and the minimum project size an ESCO is willing to manage. As mentioned in Section 3.2, governments with limited small-scale projects can aggregate to overcome the size and scope barriers.

State and local government facilities are generally good candidates for ESPC projects. With long-term ownership of the facilities, governments typically allow for 12- to 25-year financing terms, which enable large-scale comprehensive projects. In contrast, owners of commercial facilities often have a shorter payback threshold (often three years) and may reject a comprehensive ESPC project that requires a longer term.

1.4 Typical Measures and Bundling of Measures

A wide variety of facility improvement measures can be part of an ESPC project. The ESCO will assess the cost-benefit of each measure and recommend a package of bundled measures.

Typical Measures

Cost-saving measures generate the savings to pay for the project. This arrangement presents a unique opportunity for a comprehensive approach to address all potential cost-saving improvements in each of the owner's facilities.

Typical measures include the following equipment replacements and optimization of management and operational strategies:

-
- Lighting equipment replacements
 - Distributed generation systems

- Building automation system upgrades
- Boiler and chiller replacements
- Central plant improvements
- Renewable energy systems
- Landscape irrigation systems
- Plumbing fixture replacements
- Commissioning
- Combined heat and power systems
- Demand-response technologies
- Utility rate adjustments
- Traffic and street lighting systems
- Occupant training programs
- Energy management services

The list of potential facility improvement measures is extensive. State legislation is often open-ended about the types of measures that may be included, but legislation may restrict the budget categories that can be used to pay for such measures.

Expanded Measures

Some states have expanded the potential scope beyond typical facility improvements to include:

- Vehicle conversions and fueling/charging station infrastructure
- New construction, to help fund energy efficiency improvements in new buildings
- Greater operational savings, including projects that are 100% funded through operational savings
- Power purchase agreements to secure lower-rate utility costs through solar systems
- Waste management services
- Data Management Systems
- Staff and occupant training programs

Bundling of Measures

The ESCO will identify each potential measure and estimate its individual itemized costs and savings for cost-effectiveness, but the bottom line is what determines which bundle of measures can be included in the ESPC project. That is, the sum of annual cost savings for all measures must be able to meet or exceed the annual finance payment over the maximum financing term. For example, lighting and controls projects have short payback periods which, when bundled, offset the higher payback periods of boiler and chiller replacements or renewable energy systems. Even measures that add costs, such as installing first-time air-conditioning in a school, can be included if balanced-out by short-payback measures that deliver savings to offset this new cost. On the other hand, the project might need to eliminate some long-payback measures if overall project savings are not sufficient to offset those costs.

1.5 Funding Sources

Cost savings resulting from selected facility or improvement measures often come from several government budget categories. Each budget category must be defined and approved in order to apply the savings to the financing payments. Facilities should consider all funding sources to leverage the savings for optimum value.

Budget Savings Streams

State legislation often specifies the budget sources that can be tapped to pay for projects through savings, determining which measures can be included in the ESPC.

Budget savings streams often include:

- Utility cost savings
 - Gas, electricity, steam, chilled water, etc.
 - Water and sewer savings
- Operational budget cost savings
 - Maintenance cost savings (e.g., budgeted maintenance items that are no longer needed, such as replacement ballasts after a lighting improvement project)
 - Outmoded maintenance contracts (e.g., maintenance contracts on replaced equipment)
 - Other (any savings stream associated with an improvement could potentially be included where not disallowed by legislation, such as phone system savings, vehicle fueling savings, etc.)
- Personnel budget cost savings – Maintenance staff reductions (e.g., when a staff position is eliminated due to a measure, such as a stationary boiler operator position eliminated after a central boiler is decommissioned in favor of smaller distributed boilers; the displaced staff members are usually reassigned to fill vacant positions)
- Capital avoidance cost savings (e.g., when capital improvement funds are scheduled for a future boiler replacement, and the boiler replacement can instead be folded into the ESPC project, the capital avoidance cost savings can be included as a funding stream)

Leveraging Funds

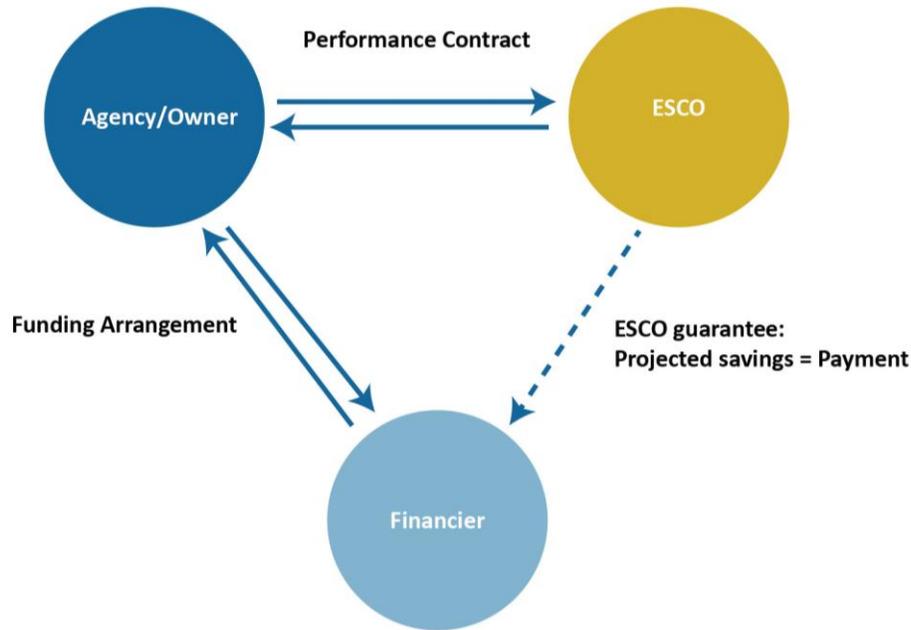
An ESPC project is intended to be self-funding through its projected savings. However, if other funding sources can augment the savings streams, the project scope can expand. For example, internal funding, utility rebates, grants, emission reduction credits, tax credits, or other funding sources may serve as a project buy-down. Supplemental funding could allow for additional measures that did not make the final cut of bundled projects.

1.6 Financing

Figure 4 displays the contractual arrangements between the ESCO, the facility owner, and the financing institution (financier). The facility owner has a performance contract with the ESCO and another contract with a financing company. The Financier relies on the ESCO's guarantee as a backstop to ensure payment from a credit-worthy owner. The ESCO's guaranteed projected savings are intended to exceed the annual financing payment. In the event of a shortfall in actual savings in any year, the ESCO, via the performance guarantee in the contract, bears the financial risk if the projected savings do not materialize and pays the owner the difference.

The ESCO can educate the owner about the financing arrangement if desired, but recent federal regulations prohibit the ESCO from taking an advisory role. The ESCO typically does not provide project financing for public projects, as governments can usually obtain better financing terms from financiers.

Figure 4: Two Contractual Agreements



Financing Mechanisms

One of the most common financing mechanisms for a government ESPC project is a municipal tax-exempt lease-purchase agreement. A number of national-level financing companies are knowledgeable about the ESPC approach. Owners also consider internal financing or bonds. Due diligence is needed to compare rates and benefits.

Financing - Minimum Amounts

ESPC projects typically range in the millions of dollars. The minimum project cost varies depending on what local ESCOs and financing companies will consider. Financing companies offering a municipal tax-exempt lease purchase agreement have a minimum threshold (often \$500,000 or more) so smaller-cost ESPC projects may not be financially feasible using this mechanism. This minimum financing level can vary regionally and with the national economic climate, so ask national financing firms that specialize in financing ESPC projects about the minimum financing level for your project area. Some ESCOs are willing to do small-scale projects, as low in value as \$100,000, which may be financed through local commercial banks.

Financing Term

Several key factors define the maximum financing term for an ESPC project:

- Legislation in most states restricts the financing term to 10–25 years. The federal government established a 25-year maximum term, which some states have adopted. Most states have updated legislation from the 10-year maximum, common a decade ago, to today’s generally accepted 20-year maximum.

- The financing term should not exceed the average useful life of the equipment.
- Financial institutions set the maximum finance term based on the project value and risk.

Debt and Multi-Year Financing Issues

A lease-purchase agreement is renewable annually and is subject to annual appropriations because the finance payments come from the annual operating budget. While it is difficult to use this financing method where there are limits on multi-year financing, state legislation that enables ESPC projects in state and local governments can overcome these limits.

ESPC PROGRAM RESOURCES

- [How to Finance an ESPC](#)
This is a fact sheet from DOE on ESPC financing options.
(www1.eere.energy.gov/wip/solutioncenter/pdfs/T2_ICF_FS4_HowtoFinance_FINAL_052311.pdf)
- Appendix A-2: Overview of Debt
A stakeholder group of ESPC financing specialists led by DOE developed this overview.

1.7 The Annual Guarantee

Annual cost savings in the ESPC contract and financing agreement are structured to exceed the annual project costs, including the financing payment and other associated costs (such as the annual measurement and verification cost) over the entire financing term. The cost savings projections include escalation rates for future years based on typical weather years and agreed-upon operational practices. With so many variables, the ESCO usually does not guarantee annual cost savings directly, but rather guarantees performance in terms of unit efficiency savings such as kWh savings in electricity, therm savings in natural gas, or gallons of water saved—not dollars. (Some programs require a dollar savings guarantee.)

For future years, the ESPC contract establishes projected unit rates that escalate with inflation. The projected unit cost, whether higher or lower than the actual unit cost for the specified year, determines the guaranteed cost savings.

If unit efficiency savings are not met, the ESCO will make up the cost difference, using the projected unit cost, as guaranteed (i.e., the deficiency in unit efficiency savings for a contract year times the projected unit rate for that year).

1.8 Measurement and Verification (M&V)

The *International Protocol for Performance Measurement and Verification* (IPMVP) is a standardized approach to measuring and verifying savings of ESPC projects. It provides four options for measuring performance, with varying levels of cost and accuracy for all types of measures. Depending on the option chosen, savings are determined for an individual measure or for the whole facility as shown below.

Individual Measure Options

Option A - Retrofit Isolation Key Parameters: Savings are determined by field measurement of a key parameter.

Option B - Retrofit Isolation All Parameters: Savings are determined by field measurement of all parameters of the system.

Whole-Building Options

Option C – Whole-Facility: Savings are determined by measuring energy use at the whole-facility or sub-facility level.

Option D - Calibrated Simulation: Savings are determined through simulation of the energy use of the whole-facility or sub-facility.

It is important to apply an appropriate level of rigor to each type of measure—that is, to avoid oversimplification for a dynamic and high-cost system, and avoid excessive measurements for a simple low-cost measure. A simple method may be most appropriate for determining the straightforward savings from lighting upgrades, whereas a more complex method may be appropriate for determining savings from a chiller or boiler plant.

The ESCO will develop a baseline and measurement & verification (M&V) plan, applying the IPMVP approach to establish pre-retrofit and post-retrofit energy use of each measure. The contract documents incorporate the M&V plan to establish a procedure for verifying savings. The ESCO will follow the M&V plan and prepare an annual M&V report to verify achievement of the guaranteed level of projected savings. If the project does not reach projected savings, the ESCO will pay for the deficiency as guaranteed.

A measurement or calculation process is preferred over stipulated savings for all measures. Basing reported savings on actual measured results, ensures that the performance guarantee assigns the risk of performance to the ESCO.

Measurement and verification reports are often required annually for the life of the contract, which is usually more than 12 years. Continued training is important in the event of personnel changes.

ESPC PROGRAM RESOURCES

- [International Performance Measurement and Verification Protocol, Volume 1](#)
This document is the internationally recognized protocol on M&V for ESPC projects and is available free from DOE.
(<http://apps1.eere.energy.gov/buildings/publications/pdfs/corporate/29564.pdf>)
- [Sample M&V Plan](#)
DOE's Federal Energy Management Program (FEMP) developed this M&V plan as an example.
(http://energy.gov/sites/prod/files/2013/10/f3/sample_mv_plan.pdf)
- [M&V Guidelines](#)
FEMP developed M&V Guidelines for federal projects that are also applicable to non-federal projects.
(http://energy.gov/sites/prod/files/2013/10/f3/sample_mv_plan.pdf)

1.9 Annual Budgeting

Annual finance payments for ESPCs come out of annual appropriated utility and operating budgets. The annual financing payment is carved out of each year's appropriation (i.e., itemized as a component of

the utility and operating budgets) to meet annual financial commitments. In the typical payment structure, the sum of financing payments, annual M&V costs and (lowered) utility payments is no greater than the pre-ESPC utility payments.

The guarantee of savings is not a budget guarantee. It does not ensure that the guaranteed cost savings will remain as a positive budget balance. A number of cost drivers outside of the ESCO's control can impact the actual budget from year to year, such as changes in utility rates, weather or building operating hours, additions to buildings, and changes in facility use (e.g., installing a computer lab that is energy-intensive). Further, an appropriated budget may not be accurately adjusted to account for such changes, so budget savings are not fully realized.

A number of budget scenarios may also occur in future years. For example, in a year with a particularly cold winter, heating costs will increase and managers would need to recognize the added budget requirement. Even though this unpredicted anomaly impacts the budget, a more efficient heating system delivers greater savings. For a year with a particularly warm winter, utility bills may be lower than anticipated so the appropriated budget may suffice to make the financing payment, which is based on a typical weather year. Additionally, the annual facility energy and water budget should account for escalation in energy prices for the portion that is not affected by the ESPC project (e.g., if an ESPC project reduces facility energy use by 25%, the annual budget should reflect the increasing costs for the remaining 75%).

ESPC PROGRAM RESOURCES

- [ESPC Overview, Cash Flows, Scenarios and Associated Diagrams for Energy Savings Performance Contracts](#)
This publication describes the various real-world cash-flow scenarios. It is a National Renewable Energy Laboratory (NREL) resource developed for DOE.
(www.nrel.gov/docs/fy11osti/51398.pdf)

1.10 Due Diligence to Understand Risks

It is important for the owner to understand potential risks and to mitigate these risks when negotiating a successful ESPC contract. Risks fall into three general categories: financial, operational, and equipment performance. Several steps can mitigate these risks: detailed contract documentation to outline responsibilities, a detailed measurement and verification plan, use of standardized procurement and contracting documents, and a good understanding of the financial arrangement and contract clauses by finance, facilities, and administrative personnel.

Financial risks can include uncertainty in savings or construction costs. Several measures can alleviate financial uncertainty: establishing the level of rigor for M&V of each measure; establishing a fixed price or guaranteed maximum price for project construction and implementation costs; establishing a schedule to reduce delays that could impact cost or savings; clarifying how any future changes in facilities will be handled; and understanding the real-world scenarios presented in Section 1.9 (Annual Budgeting).

Operational risks can include changes in building operating hours, energy management system schedules, weather, equipment loads, or maintenance practices. Operational risks are generally the responsibility of the owner, unless the owner has contracted the ESCO to operate its building on a day-to-day basis. Operational risks may be mitigated by training staff in proper operations (particularly important in projects that derive savings from building energy management systems), monitoring-based commissioning, and establishing a

clear methodology for how the baseline will be adjusted to account for any operational changes and determine the actual savings.

Equipment performance risks can include a deficient design of the retrofit project, malfunctioning equipment, and equipment not maintained according to manufacturers' specifications. Equipment performance risks are generally the responsibility of the ESCO, unless the owner takes responsibility for the maintenance of the equipment or related systems. Several procedures can mitigate performance risks: documenting maintenance responsibilities, following maintenance plans, and establishing a measurement and verification process that distinguishes between equipment performance and operational changes.

ESPC PROGRAM RESOURCES

- [M&V Guidelines: Measurement and Verification for Federal Projects; Section 3 – Risk and Responsibility in M&V](#)

This DOE FEMP publication describes M&V, outlines risks, and describes ways to mitigate risks. (www1.eere.energy.gov/femp/pdfs/mv_guidelines.pdf)

- [Model Procurement and Contracting Documents](#)

These model ESPC documents evolved from many states. Massachusetts, Washington and Illinois developed the first documents in the 1980s. Colorado expanded them in the 1990s, and the Energy Services Coalition distributed them as a recommended model set of documents. Minnesota has adapted and refined the documents to meet the state program's needs. Most recently, DOE facilitated stakeholder groups of public and private experts, including representatives of state energy offices, to refine, streamline, and update these documents.

(<http://energy.gov/eere/wipo/model-documents-energy-savings-performance-contract-project>)

1.11 Developing a Project

The process for an owner to develop an ESPC project involves competitively selecting an ESCO, then following through with a two-stage contract process. Through an Investment Grade Audit (IGA) contract, the ESCO will identify and evaluate potential cost-saving measures and present a proposed ESPC project scope with costs, annual guaranteed projected savings, and a financing plan. After the parties negotiate the scope and project terms, a performance contract directs the ESCO to implement the measures, conduct annual M&V to guarantee long-term annual savings, and deliver annual M&V reports to the owner. The owner and ESCO execute a financing agreement concurrently with the performance contract.

ESPC PROGRAM RESOURCES

- **Appendix A-1: Owner Process Steps**
This document outlines the owner's steps from deciding whether ESPC is a good fit for implementing a project.

1.12 Life of Contract

A Life of Contract (LOC) Plan captures the performance data from the acceptance phase of the contract. Based on the data, the plan provides guidance on how to manage the contract for its remaining term to ensure proper performance of the equipment and verification of the savings guarantee for the life of the contract.

Chronological data collection serves to:

- Document the Operation & Maintenance (O&M) and Repair & Replacement (R&R) requirements to monitor and verify the execution of necessary actions to maintain equipment performance, ensuring savings.
- Define activities to support annual M&V and true-up processes to allow confirmation that all testing and inspections are accomplished and that the M&V report can be accepted or rejected annually for the life of the contract.
- Document results of initial commissioning of the project equipment and subsequent commissioning of controls.

Personnel responsible for the project's success can use these documents to monitor and document activities over the contract term. This documentation provides continuity in the event of personnel changes.

ESPC PROGRAM RESOURCES

- [ESPC Life of Contract \(LOC\) Plan - Hawaii](#)
The Hawaii Energy Office developed this document with funding from DOE. It provides guidance to project staff members during the ESPC's post-installation performance period. (<http://energy.hawaii.gov/wp-content/uploads/2012/06/ESPC-Life-of-Contract-Plan.-12-19-12.pdf>)

2. ESPC PROGRAM OVERVIEW

Many state energy offices and state building administrations across the nation have some form of an ESPC program (see Section 2.5). Some states have parallel programs, in which the state buildings administration focuses on state facilities and the state energy office focuses on local governments. Other entities that might develop programs include those who oversee or influence a number of institutions, such as school district funding authorities, large local governments, or associations with a government or buildings focus. All ESPC programs, regardless of their origin, succeed in generating more projects, achieving greater efficiency, establishing a standardized process, and taking an approach that sets a high bar of performance for ESCOs and owners.

An ESPC program may provide a variety of services to increase the use of performance contracting. Services could include providing information and education about the ESPC process; establishing a standardized process for procuring and contracting ESPC services; providing a recommended procurement approach or pre-qualify ESCOs to streamline the selection process for owners; and providing technical assistance to increase accountability for all owners in development, implementation, and M&V of ESPC projects.

Programs differ in their level of technical assistance and their authority to oversee/approve projects and establish a required process. Programs are scalable, from a website to provide education and information, to one-on-one technical assistance. Owner fees could support costs to build and sustain a self-funded ESPC program.

2.1 Why Consider an ESPC Program?

An ESPC program can achieve many different goals by offering services that help government decision-makers develop successful ESPC projects in their facilities. Statewide progress in advancing ESPC will move the state forward on many fronts.

High-level goals may include:

- Reducing energy use in state and local government buildings
- Upgrading facilities without capital budget appropriations
- Ensuring successful energy efficiency projects
- Optimizing energy efficiency (through a comprehensive ESPC approach)
- Achieving quantifiable emissions reductions (through ESPC projects that measure and verify savings)
- Creating jobs (through large-scale ESPC projects)
- Meeting climate change goals
- Meeting budget reduction goals
- Opening new markets for ESPC
- Transforming the market for ESPC acceptance and institutionalize the process in state government
- Facilitating use of ESPCs by local governments and others

ESPC PROGRAM RESOURCES

- Appendix B-1: Program Goals and Services
This document lists ESPC program goals and associated services to achieve the goals.
- [US DOE–Energy Efficiency and Renewable Energy–Solution Center – Energy Savings Performance Contracting](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
US DOE’s Solution Center maintains fact sheets and other informational resources specific to ESPC.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

2.2 Who Should Develop an ESPC Program?

The **state energy office** often has a broad scope to influence any market sector in the state. It is well suited to work with both state and local governments, providing education and training, technical assistance, recognition, and a variety of other services to help develop projects.

The **state buildings administration** is typically the lead authority for state agencies, setting requirements and standards to guide state agencies through the ESPC process. With an aggressive program for state agencies, the state can demonstrate the approach in its own facilities and “lead by example” for other governments to follow. Examples of successful programs through the state buildings administration include Kentucky, Louisiana, Maryland, Massachusetts, Utah, and Washington.

The state energy office often works in partnership with the **state buildings administration**, adopting the state’s processes as a template for local governments. Successful energy programs include those of Colorado, Hawaii, Kansas, and Massachusetts. State legislation on ESPC may specify the responsible or lead authority to develop administrative processes, approve projects, or provide guidance.

Associations or organizations with goals related to buildings or government may also take on some elements of a program, particularly the educational and training functions, while sharing the model documents developed by the state.

Regional or local governments could develop programs to reach other government or commercial owners, thus leading by example.

ESPC PROGRAM RESOURCES

- [Model State Legislation](http://energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice02/Model_EPC_Legislation.pdf)
ESC and NAESCO developed model state legislation documentation, with funding from DOE.
(http://energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice02/Model_EPC_Legislation.pdf)

2.3 Who Benefits from an ESPC Program?

The most common market sectors that ESPC programs serve are state and local governments (e.g., state agencies, higher education institutions, school districts, cities, and counties). These markets are also attractive to ESCOs. Other market sectors that benefit include public hospitals and government-managed multi-family apartment building complexes.

2.4 What Does an ESPC Program Do?

An ESPC program may provide a variety of services to guide owners through the ESPC process, including:

- Offering education and training on the ESPC approach
- Introducing pre-qualified ESCOs as a way to streamline the procurement process and ensure qualified providers
- Establishing a procurement and contracting process and sharing model documents for owners to customize for a specific project
- Delivering technical assistance to owners
- Partnering with associations, governments, and utilities to leverage existing relationships and communication avenues to highlight the value of performance contracting

The Energy Services Coalition, with funding from DOE, identified some best practices that state ESPC programs have adopted to ensure success. When developing and implementing a statewide ESPC Program, consider using the following recommended best practices and resources.

Programs vary from state to state, based on the available staff and budget resources, as well as the authority to conduct some tasks. Not every successful program has implemented each best practice. As further described in Section 2.8, a program can be effective with only a few best practices, such as state leadership, legislative support, and education and outreach through web-based educational information.

Figure 5: ESPC Program Best Practices

Best Practice	Description
State Leadership	Establish the state (state energy office) as the source for information on energy performance contracting. Establish savings requirements for state buildings and stipulate that ESPC can be used to meet the requirement.
Strong Legislative and Gubernatorial Support	Utilize legislative and gubernatorial powers to establish ESPC as a priority for the state agenda
Consensus Support for State Decision-Makers	Establish consensus support among key state decision-makers (legal, procurement, finance)
Public/Private Partnership	Establish a stakeholder group
Pre-qualified ESCOs	Pre-qualify ESCOs
Pre-approved Contracts	Obtain state attorney general pre-approval of model contracts for ESCOs and financiers
Project Oversight and Technical Assistance	Ongoing support to facility owners' ESPC projects
Education and Outreach	Educate potential owners in performance contracting processes and benefits
Program Funding Strategies	Implement a fee-based technical assistance service such that the fees sustain the cost of the program
Data Collection and Project Tracking	Establish simple tracking guidelines for projects and the program to demonstrate program success through measurable results

For additional information, visit the Energy Services Coalition website (www.energyservicescoalition.org).

2.5 Which States Have ESPC Programs?

States began formalizing ESPC programs in the 1980s to set standards and to help state agencies and other owners complete successful ESPC projects. Model documents began with the early state pioneers of Massachusetts, Washington, and Illinois. Western states followed in the mid-1990s including Hawaii, New Mexico, Colorado, and Utah. A later wave of states developing programs included Kansas, Louisiana, and more recently, Montana. As of 2014, more than 17 states have in place active and robust ESPC programs, including Alabama, Colorado, Connecticut, Georgia, Hawaii, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Mexico, North Carolina, Virginia, Washington, and many other states with varying degrees of involvement.

State energy offices, and/or counterparts in the state buildings administration divisions, have been instrumental in increasing market acceptance for ESPC in government sectors. In many states, the state energy office was the driving force to establish a program to serve all government sectors (e.g., Colorado, Hawaii and Kansas). In some states, the state buildings administration was the pioneer to establish a program (e.g., Utah and Maryland). As programs evolve, the state buildings administration maintains its own program but often partners with the state energy office for training and technical assistance, and the SEO continues to serve local governments.

ESPC PROGRAM RESOURCES

- DOE funded the following State ESPC program success stories (state program descriptions as of 2010):
 - [Colorado Success Story](#)
 - [Hawaii Success Story](#)
 - [Massachusetts Success Story](#)
 - [Pennsylvania Success Story](#)
 - [Utah Success Story](#)
 - [Washington Success Story](#)

(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix B-2: State ESPC Programs List
This list contains states with active ESPC programs and the related website addresses.

2.6 What Can an ESPC Program Achieve?

Establishing and maintaining an active ESPC program in your state or organization is important for many reasons. State ESPC programs can help lower the owner's utility bills, increase energy efficiency, reduce greenhouse gas emissions, and improve tenant satisfaction and productivity. Developing an ESPC program demonstrates your state's commitment to operating sustainably and supports others in doing the same. A program can greatly increase the number of ESPC projects by increasing awareness and setting a high bar for ESCO performance. A mature program, or a program in a state with high ESPC activity, has the potential to open new markets or usher in new approaches or technologies (e.g., renewables, water efficiency, etc.) that can help achieve goals in other state programs.

2.7 How Should an ESPC Program Be Staffed?

A program manager is critical to the success of the ESPC program. This person should be well versed in government processes, with some energy efficiency, financial, or buildings expertise.

A truly successful program also provides technical assistance to owners (e.g., state agencies, municipalities, school districts). Program staff members, and contractors hired to support the program, may provide technical assistance or the program may maintain a list of contractors that owners are encouraged to hire on their own.

ESPC PROGRAM RESOURCES

- See [Section 6. Program Staffing](#) for more detail.

2.8 How Can an ESPC Program Be Funded?

Funding an ESPC program does not need to be an obstacle. Two strategies offer a low-cost approach to funding a program. The first strategy is to develop ESPC resources and post them on the website, i.e., a virtual program. The second strategy is to develop a program funded by service fees paid by the project owner, which provide funds for staff member services and technical assistance contractors.

2.8.1 *Scaling an ESPC Program Based on Funding Levels*

A state ESPC program can match funding availability. The following are options for designing a program, ranked in terms of program cost and complexity.

- **Program for very little cost:** Develop a website to provide state and local government decision-makers with information and resources to move forward on their own. The website layout in these guidelines (Appendix C-6) can provide great value to anyone interested in doing an ESPC project in the state. The website directs viewers to the nationally recognized template documents, case studies from around the nation, and informational resources.
- **One-time effort for a program that continues at virtually no cost:** Set up a process encouraging interested parties to hire a project facilitator as described in these guidelines. Consider pre-qualifying such providers. This approach offers owners the option to pay for assistance as needed, and allows programs a means of offering owners technical assistance.
- **With a continual, but minimal time commitment, add a public-private partnership such as a state chapter of the Energy Services Coalition:** Your program representative would be a required participant/officer as a chapter co-chair for the public sector. After hosting a start-up meeting and engaging ESCOs and others to participate, chapter members can do the work through various committees. Educational events are often the top activity, which can go a long way to kick-start projects that then rely on the provided resources to support owner projects.
- **Start a self-funded program:** This is a “full-blown” ESPC program in which the program contracts with (or hires) project facilitators, and charges a fee to owners for the combined services of the project facilitators and program oversight. The state of Washington began this process in the 1980s, is now 100% self-funded, and supports a staff of fourteen (14) professionals. Other states have also had success with self-funded programs. These include Kansas (well developed), Pennsylvania (past program) and Louisiana (a new program, but off to a strong start with big projects bringing in substantial fees to support the program).
- **Commit to budgeting for a full-blown program, offering free technical assistance:** A full-blown program may be justified in terms of the program cost and time commitment when compared to the outcome. As mentioned above, a number of states with full-blown programs have delivered \$100 per capita in successful projects, or well over \$100 million in projects. Such a program needs a program manager, assistant, and project facilitators

(technical personnel or contract consultants) to assist owners. [Section 6. Program Staffing](#) discusses staffing roles and responsibilities in detail.

2.8.2 Building a Self-Funded Program

Just as savings in an ESPC project pay for equipment upgrades and related services, the savings may also support an oversight fee to cover the state program costs. The ESPC project funding can finance a modest fee as a project cost element, and the guaranteed savings stream serves to repay the fee just as any other project cost.

The incoming fees typically support project facilitators to provide technical assistance to owners through the process, generating more and higher-quality projects, while ensuring the longevity of the program and continuing project oversight. The fees can accumulate to sustain the program expenses, achieving a self-funded program within about three years.

ESPC PROGRAM RESOURCES

- [Self-Funded Program](#)
This document describes key elements in self-funded programs as of 2010 in Washington, Pennsylvania, Kansas, and Louisiana. Nevada’s energy office has the authority to develop a self-funded program. The Energy Services Coalition, under funding from DOE, developed this document.
(http://energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice09/Self-funded_ESPC_Programs.pdf)
- Appendix B-3: RFP and Contract for Project Facilitators
Appendix B has a sample RFP and subsequent contract for the program (or an owner) to contract with a project facilitator to provide project technical assistance on a project. This document was adapted from the RFP issued in 2012 by the State of Louisiana’s Department of Administration.

2.9 How is the Success of an ESPC Program Measured?

One metric of a successful ESPC program is the *total dollar value of ESPC projects initiated* divided by the *cumulative program costs*. This metric easily justifies continued program funding, as it delivers a big bang for the buck. The State of Hawaii used this metric in promotional materials and press releases as independent validation of the program’s accomplishments.

Other program success metrics may include:

- **Detailed project information:** cost (excluding financing costs), guaranteed cost savings, list of measures, square footage, number of buildings, units of energy saved (converted to BTUs), greenhouse gas emissions prevented, dates/years of critical stages (RFP issued, audit contract executed, performance contract executed, construction completion, M&V reports), and actual cost savings achieved
- **Program sum of projects served:** sum of costs, sum of guaranteed savings, sum of energy cost savings, sum of energy units (converted to BTUs), and the number of owners served (in total and by sector)

Social impacts also play an important role – educating/training owners, developing an approved/standardized process for procuring and contracting services, providing technical assistance to

guide owners through the decision-making and implementation process, and establishing criteria for the project and ESCO performance are all program results worth measuring.

- **Metrics for measuring social impacts could include:** number of outreach events (trainings, webinars), number of information-sharing activities (email blasts, presentations at conferences), number of owners to engage in ESPC projects, and number of jobs created

A mature program, or a program in a state with extensive ESPC activity, could set other goals, such as opening new markets (multi-family buildings, commercial sector buildings, small-scale government projects) or ushering in new technologies or approaches that may help achieve goals in other programs (renewables, water efficiency, woody biomass for heating plants, energy data collection, multi-family building services, etc.).

The ESCO should also report ESPC project information to eProject Builder, a national database of ESPC projects maintained by Lawrence Berkeley National Laboratory (LBNL). The information is not identifiable by owner, rather by generic facility type and geographic zone. The eProject Builder database can provide information on relevant comparable ESPC project experience, including costs and savings.

ESPC PROGRAM RESOURCES

- eProject Builder – Standardized Data Collection Template and LBNL Database
LBNL hosts a database, with DOE funding, including ESPC project data from many projects over several decades. LBNL has expanded the database with a portal for states to present project data and retrieve state reports. Use the recommended project data reporting template to standardize project reporting.
[\(https://eprojectbuilder.lbl.gov/\)](https://eprojectbuilder.lbl.gov/)
- [Race to the Top](#)
The Energy Services Coalition (ESC) posts data on the sum total of ESPC projects completed in each state and ranks states based on the project dollars per capita.
[\(http://energyservicescoalition.org/espc/map/\)](http://energyservicescoalition.org/espc/map/)

3. EDUCATION AND OUTREACH

Education and outreach are critical to the success of an ESPC program. Education involves increasing the awareness of ESPC and using a wide variety of outreach activities to overcome real or perceived ESPC barriers. These strategies also involve program promotion and informing potential owners about the services to help achieve success. Below are factors to consider in developing education and outreach activities.

3.1 Build a Marketing Plan

A marketing plan is an essential component of education and outreach. Factors to include in a marketing plan are:

- Program goals
- Targeted market sectors
- Level of awareness of ESPC within the targeted markets
- Perceived barriers or concerns that hinder market acceptance
- Real barriers such as prohibitive legal or administrative processes or opposition from critical decision-makers
- Presence of ESCOs in the state and level of activity
- Perceived level of success of past ESPC projects or distrust of the industry
- Staff capabilities and resources to carry out activities

The marketing plan lays out the materials and activities to develop and conduct, along with an implementation schedule. The plan also identifies the program goals, target markets and messaging.

ESPC PROGRAM RESOURCES

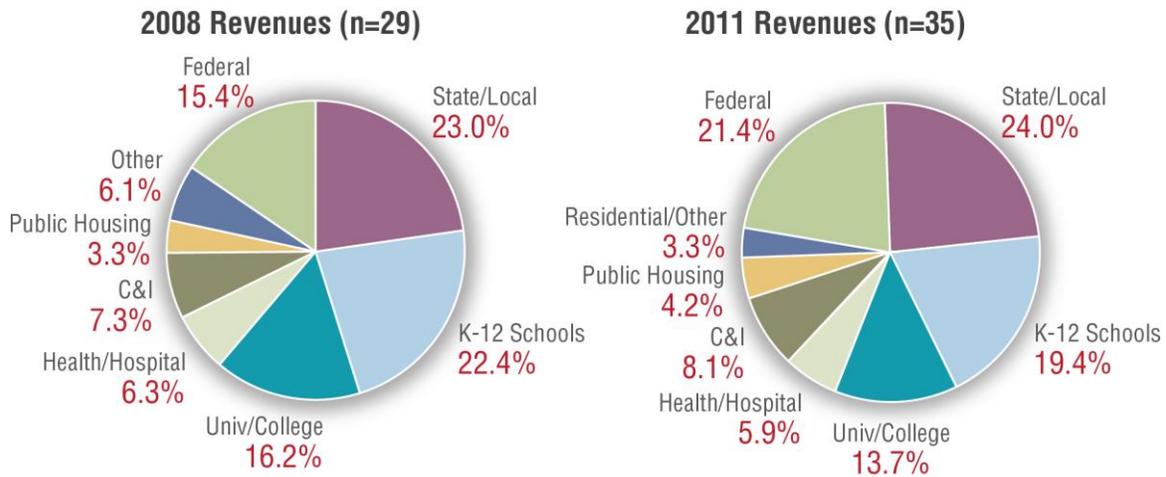
- Appendix C-1: Marketing Plan
Appendix C-1 is a template for developing a marketing plan for the program, to define and schedule education and outreach strategies, and to stay on track.
- Appendix B-1, Section 2.1: Program Goals and Services
This section lists many possible program goals that ESPC can help achieve.
- Appendix C-2: Barriers and Solutions to Market Acceptance of ESPC
Appendix C-2 lists many common barriers and typical solutions for overcoming the barriers.
- [“Current Size and Remaining Market Potential of the US Energy Services Industry”](#)
LBNL and NAESCO conducted this research for DOE. LBNL published it as Publication No. 6300E.
(http://emp.lbl.gov/sites/all/files/lbnl-6300e_0.pdf)

3.2 Define the Audience

There are three main approaches/steps to define the audience for outreach efforts. First, identify the market sectors to target. Second, define the ESPC project owners within that market sector. Lastly, identify the individuals who are the most likely leaders and champions. The ultimate target audience is the individuals who will be instrumental in getting an ESPC project started.

Market Sectors to Target

The graphic below shows the market segments served by ESCOs in 2008 and 2011, excerpted from a recent report by Lawrence Berkeley National Laboratory and funded by DOE.



Before working with a market sector to encourage entities to develop an ESPC project, it is important to know which sectors are best suited for ESPC projects. This varies with the interests of local ESCOs as well as local utility rates and project incentives that impact the bottom-line attractiveness of projects.

As evidenced by the graphic, government entities are good candidates for ESPC projects because governments maintain buildings for many decades, justifying the long-term project financing. Most have large-sized buildings with central HVAC systems and extensive lighting, which provide sizable upgrade opportunities for ESPC projects.

Within the government sector, however, small towns and small rural school districts may not have enough potential for an ESCO to justify a project. A strategy proven in Massachusetts and elsewhere is to aggregate several small projects, providing the economy of scale to attract an ESCO while maintaining separate contract commitments with each entity.

It may be desirable to select a very specific segment of the government market sector, such as wastewater and water treatment plants.

The commercial sector often limits energy efficiency projects to short payback periods (often three years), so ESPCs with a ten-year or more financing term may be a hard sell. Nonetheless, there are many examples of successful projects in the commercial and industrial sectors, and this market, especially large buildings, has potential for ESPC.

The most common market sectors ESPC programs serve include:

- State agencies
- Higher education institutions
- School districts
- Cities
- Counties

Additional market sectors for program consideration may include any of the following, provided their building stock has ESPC project potential:

- Housing authorities
- Public hospitals
- Other state or local governments, including special districts
- Commercial building and industrial facilities owners

Owners to Target

The target owner is the party with authority over all of the organization's facilities. In this way, all buildings under the owner's jurisdiction become part of the ESPC project, thereby maximizing the project scope and providing an economy of scale to attract ESCOs.

The target individual is the person with the highest level of decision-making authority. For example, it is most appropriate to target the school district superintendent with responsibility over all the district's schools rather than a principal who likely has no authority related to facilities, or consider targeting a university's facilities manager who is responsible for all university facilities rather than the manager of a particular university building.

Before identifying specific owners to implement ESPC projects, it is important to establish the types and sizes of projects that local ESCOs are willing to develop. Direct outreach needs to target those with enough building inventory and potential savings to develop a project.

Individuals to Target

Successful ESPC projects usually have a champion who persevered in getting buy-in from other decision-makers to proceed with an ESPC project, and who continued to drive the process through project completion.

Targeted professionals can vary with the sector. The best and most likely candidates to champion an ESPC project in each sector (in priority order) include:

- State agency (state buildings administration department which may have oversight authority over agencies, agency facilities director or agency director)
- School district (district superintendent, school boards)
- Higher education institution (facilities director, environmental division)
- City or county (city/county manager, facilities director, environmental coordinator, elected officials)

Other professionals may be involved in the owner's decision-making process and sometimes become the project champions. Part of the marketing plan may include reaching these professionals through their associations:

- Financial and budget officers
- Procurement officers
- Environmental managers or sustainability directors
- Maintenance managers
- Division managers of fleets, recreational facilities, etc.

Influencing Agents

Entities that have influence or authority over the markets or professionals described above should also be targets in the outreach effort, as their support can be crucial in gaining the interest and trust of specific owners. Examples include a state department of education's capital construction unit that provides project funding to school districts, state buildings administration that oversees state codes and construction processes, and organizations and associations representing the target markets.

3.3 Craft the Message

Crafting a message for developing an ESPC program starts with understanding the barriers, articulating the program solutions, and reaching decision-making professionals with hot-button messages that resonate.

Key barriers to the adoption of performance contracting range from lack of awareness and lack of familiarity with the process, to skepticism about savings materializing, as well as distrust of the ESCO or concern over losing control of facility operations. Discussions with ESCOs, target market representatives, and individuals who have implemented successful projects can reveal barriers in your state, as well as provide advice on how to overcome such barriers.

Communicating program solutions can go a long way in overcoming real and perceived barriers. A state energy office or other lead agency's stamp of approval on the ESPC process may push down many barriers at once. Model documents with informational materials provide a roadmap for those unsure of how to get started. A clear process for M&V increases confidence about ESPC's ability to deliver on its claims. Independent technical assistance from an ESPC professional supports an owner through the process for those who do not have staff capability or expertise to interact with the ESCO.

Consider hot-button messages for each market sector. For example, a city may have sustainability goals, a state may have target energy-reduction goals, and a school district may want a better learning environment offered through upgraded lighting and HVAC systems. Research the unique interests of each sector and tailor your messaging to address those interests.

Consider hot-button messages to reach specific professionals who participate in the decision-making process such as financial officers, facility managers, environmental leaders, and high-level decision-makers, such as mayors or school district superintendents. There may be some messages appropriate for reaching all of these groups, but if the marketing plan singles out certain decision-maker groups, then messages should specifically address their interests.

Barriers, solutions, and hot-button messages should be included in the marketing plan.

ESPC PROGRAM RESOURCES

- Appendix C-3: Key Benefits to Convey
Appendix C-3 lists key ESPC benefits to include in communications with various audiences.

3.4 Leverage Resources

Leveraging resources is a key component in improving the efficacy of your marketing efforts. You can leverage the resources of like-minded individuals in both the public and private domains. Leveraging resources expands the capability of your program.

Associations and Organizations

Individuals representing your target market sectors are likely to include members of associations or organizations. One way to reach these individuals is to engage the support of these organizations to help share your message. A good role for the associations is to distribute program information and success stories through their website and newsletters, invite your participation in their conferences, and co-sponsor events.

Public-Private Partnership Forum

A proactive approach to leveraging resources is to set up a public-private partnership for stakeholders. Regularly scheduled forums could address regional barriers to market uptake for ESPC and solutions to overcome them. Together, the partnership can develop related action plans to support the program's goals.

Public participants may include lead influencing agencies or organizations involving your target markets. Private participants may include ESCOs as well as others who benefit from the ESCO industry, such as financiers involved in ESPC lending, energy efficiency firms, and vendors of energy-efficient equipment.

ESPC PROGRAM RESOURCES

- Appendix C-4: Key Strategic Partners
Appendix C-4 identifies national associations and organizations involving professional staff of school districts, higher education institutions, municipalities, and others. Many of the organizations have active state chapters.
- [Energy Services Coalition State Chapter](#)
The Energy Services Coalition aids states to create a state chapter to establish a public-private partnership and encourage open communications and program support.
(<http://energyservicescoalition.org/resources/tools/practice04>)

3.5 Reach the Audience

Your marketing plan will outline strategies to reach your target audiences, starting with a program website to post information. Beyond that, a sampling of strategies includes: hosting outreach events to directly interact with potential owners through webinars and workshops; developing success stories to distribute through website postings and newsletter articles; hosting an annual recognition event; setting-up a peer-to-peer mentoring process; leveraging activities of a public-private partnership; marketing the program services; and meeting one-on-one with prospective owners.

ESPC PROGRAM RESOURCES

- Appendix C-5: Outreach Strategies
This is a detailed list of outreach strategies to consider, with links to some past events hosted by state programs.
- Appendix C-6: Program Website Layout
This website outline includes a program overview, services provided, and links to ESPC information and case studies.
- Appendix C-7: Slideshow – *What is ESPC and How Does it Work?*

This slideshow includes an overview of ESPC that can be easily adapted and posted on your website or presented at workshops.

- Appendix C-8: Handout – 5 Steps to Successful Energy Savings Performance Contracting
This handout can serve as an introduction to ESPC on your website.
- Appendix C-11: Handout – What Is ESPC?
This handout can explain ESPC as a companion document to Appendix C-8.
- [Workshop Planning Guide](#)
This identifies all the steps to developing a formal workshop as well as a simple one, as presented by the Energy Services Coalition.
(http://energyservicescoalition.org/Data/Sites/1/documents/resources/workshop_box/Workshop_in_a_Box.pdf)
- [Workshop Resources](#)
This toolbox presents a variety of support materials, including a sample workshop announcement and training certificate.
(<http://energyservicescoalition.org/workshop-in-a-box>)

3.6 Customize Program Guidelines for Your State

Several states have developed and posted their program guidelines on their websites. These program guidelines describe aspects of their programs that are useful for program staff members, owners, and partnering organizations. Program guidelines may include program goals, state legislation, model documents, available technical services, program partners, the marketing plan, and project recommendations for owners or other interested parties.

ESPC PROGRAM RESOURCES

- Appendix C-9: Program Guidelines of States
This provides links to program guidelines developed by Connecticut, Florida, Georgia, Hawaii and others.
- Appendix C-10: State Program Guidelines Template
This is a template including an outline, suggestions for what to include, and some introductory text to get you started on developing guidelines for your state program.

4. ESTABLISH A PROCESS

A core service of an effective state or regional program is to establish a standardized process for implementing ESPC projects by providing a recommended set of procurement and contracting documents for owners to develop successful projects.

4.1 Legislation

Most states have legislation that enables or codifies ESPC. In some states, legislation uniformly applies to all government sectors. In other states, legislation may differ by sector.

Legislation may lay out requirements for procurement, contracting, and budgeting. Legislation often specifies the maximum financing term, multi-year financing provisions and allowable funding sources. It often lists allowable measures with a “not limited to” option to incorporate other measures. It frequently includes a requirement for measurement and verification and reporting and terms of the guarantee. It also enables multi-year financing, exempting other prohibitive laws.

It is important to review and understand your state legislation to ensure all requirements are integrated into the process and model procurement and contracting documents.

If there is a reason to revisit the legislation, consider proposing updates. Updates could include establishing the state energy office or state buildings administration as the lead entity to provide project guidance, adding to the list of allowable measures – new construction, vehicles, operational savings, renewables, combined heat and power, non-energy benefits; and adding to the list of allowable savings streams – operational, personnel, transportation, and capital budgets.

Key elements of state legislation:

- **Authority:** Establish authority for government units to enter into performance contract agreements, applying to all state and local government units, and asserting that it is the preferred method to increase energy and operational efficiency.
- **Savings Streams:** Establish the cost savings categories that can be applied to the project, which may include utility cost savings (energy and water), operational and maintenance savings, personnel savings, non-energy benefits, and other savings.
- **Facilities:** Define facilities to include all facilities and grounds, existing and new.
- **Measures:** Establish the types of measures that can be completed, including, but not limited to:
 - Energy-saving measures
 - Water and sewer-saving measures, including landscaping and water recycling measures
 - Measures involving renewable energy, alternate energy systems, fuel switching, cogeneration, waste handling, etc.
 - Measures to reduce operational and maintenance costs
 - Measures to reduce future equipment replacement
 - Other measures that augment savings such as training programs, metering equipment, building operations programs, hazardous waste handling, and utility bill auditing
 - Additional measures to support state priorities, such as life safety measures

- Any other measure meeting the definitions and intent of the project.
- **Financing Term:** Establish the maximum financing term, typically up to 25 years, reflecting the useful life of the measures.
- **State Energy Office Authority and Funding:** Establish authority and funding for the state energy office to lead program activities for state and local governments. Provide authority for the state energy office to charge and collect fees from government units in exchange for technical assistance, or as a way to sustain the energy office's technical assistance. Although the authority for state projects resides in the designated state building administration, and higher education institutions have authority over their own projects, the state energy office can play an important role in accelerating the use of performance contracting in the state and helping the state lead by example. An overarching program can provide education and training, develop project guidelines and other resources, help establish consensus for state-approved procurement and contract documents, and provide technical assistance to help develop projects with state and local governments.
- **Single Procurement for Investment Grade Audit and Performance Contract:** Allow a single procurement to provide these two functions.
- **Investment Grade Audit (IGA):** Define the IGA such that an ESCO prepares the IGA and rolls the cost of the audit into the performance contract (if a performance contract does not result, the government pays for the audit).
- **Performance Contract:** Define the Performance Contract such that the ESCO that conducts the IGA also installs the measures and provides continued services.
- **Third-party Reviewer:** Provide for third-party review of savings by a professional engineer.
- **ESCO Qualifications:** Define the qualifications of an ESCO and outline the selection process of a Request for Qualifications followed by a Request for Proposals from up to three providers.
- **Financing:** Provide for third-party financing and define the allowable financing vehicles, including installment payment and lease-purchase agreements or other funding or financing mechanisms. Provide for multi-year financing.
- **Allocations:** Provide for payments made over time, with money allocated each fiscal year to meet annual payments such that the sum of annual payments and utility bills does not exceed the baseline cost of energy bills, including escalation.
- **Performance Guarantee:** Require an ESCO Guarantee, in which projected savings must be sufficient to meet or exceed the total annual payments under the assumed rate structure and facility usage patterns. The ESCO is required to measure and verify savings annually and is required to pay the difference in the event of a savings shortfall.
- **Excess Savings:** Establish that the government unit retains any excess savings beyond the annual payment obligation.

ESPC PROGRAM RESOURCES

- [State Legislation on ESPC](#)
In 2013 DOE developed this document, which provides quick links to statutes in each state.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

- [Model State Legislation](#)
The Energy Services Coalition and the National Association of Energy Service Companies (NAESCO) developed model state legislation in 2008 through funding from DOE.
(http://energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice02/Model_EPC_Legislation.pdf)

4.2 Consensus

When developing a set of customized program documents, it is important to establish consensus between key decision-makers from each of the targeted market sectors. Key decision-makers include lead representatives from buildings management, procurement, legal, budget, finance, and facilities divisions. They have decision-making, rule-making or approval authority over many different entities (e.g., the state buildings administration has authority over all state agencies).

Processes vary by state and by market sector within the state, each with particular procurement rules and governing legislation.

Build consensus between key decision-makers:

- The lead buildings management division will need to incorporate construction requirements and necessary approval processes for the entities the division oversees.
- The purchasing official will need to comment on the RFP process, whether an individual RFP or a pre-qualification process can be used, and on the specific process elements that need to be followed.
- The state's legal department will need to do a preliminary review of the three contract documents (investment grade audit, performance contract, financing agreement). Most likely, the department will not conduct such a detailed review and grant approval until it receives the first project for review. At that time, the first approved contract can become a template for use by others.
- The controller or budget office will need to develop a process for handling the multi-year payment obligation and freezing the appropriation level such that annual appropriations allow sufficient savings to make the financing payments. The Controller should communicate this to the Joint Budget Committee or similar legislative body that sets annual agency appropriations.
- The administrative office responsible for buildings will need to develop a payment process regarding the drawdowns from the escrow fund established for required construction payments.

If the program includes serving state agencies, consider developing pre-approved documents for state government facilities. This process enables the state to lead by example. Then follow a consensus-building process with other market sectors involved in the program. If it is not feasible to develop customized documents for other market sectors, provide the state-approved documents for customization. Although many state agency requirements would not apply, local governments view adopting state documents as a sound approach.

4.3 Model Documents

Model documents represent best practices for states to launch and administer energy efficiency programs through Energy Savings Performance Contracting. An ESPC program manager does not need

to start from scratch to develop these documents. As discussed below, the Department of Energy presents a model set of documents distilled from successful ESPC program experience over the last two decades. Any state program can customize the model documents to meet its needs.

ESPC PROGRAM RESOURCES

- [Model Program Documents](#)
These include procurement and contracting documents to develop ESPC projects as well as supporting program documents.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

History of Model Documents

The model state ESPC documents presented by DOE have a long history. The procurement and contracting documents evolved from those developed in the 1980s by Massachusetts, Washington, and Illinois. They were expanded by Colorado in the 1990s, with funding support from DOE and distributed by the Energy Services Coalition as a model for other states to use as a basis for their own model documents. DOE supported three different rounds of targeted updates from 2009 to 2011. States have continually adopted, updated, and expanded the documents to incorporate local legislative requirements, administrative practices, and program interests. In 2013, Minnesota adopted the model documents and streamlined them for easier state oversight and for easier uptake by state and local government project managers. Some states developed their own documents, providing good material to incorporate into the model, including North Carolina. In 2013–2014, DOE staff interviewed some SEO representatives who concurred with the need for an updated set of model documents. DOE facilitated stakeholder groups of public and private experts to refine, streamline, and update these documents, incorporating many improvements from states.

Steps to Customize Documents

Develop a set of model documents for customization by the target market sectors involved in the program. The recommended steps following this plan include:

- Use a single set of documents as a master, rather than creating a different document set for each sector. Use highlighting and insert notes that direct the owner to delete non-applicable segments, resulting in a customized document for the sector. This makes updating the documents easier.
- Incorporate legislative requirements. In some states, legislation is uniform across state and local governments. In other states, legislation differs by market sector.
- Incorporate program process requirements, such as project reporting, methods for developing the investment grade audit, recommended measurement and verification approaches, etc.
- Establish consensus within the market sectors, as feasible, and further refine the documents to incorporate requirements and approval processes.

If state government is a target market sector, develop the master for state use. This will enable the state to lead by example in state facilities. Local governments can further tailor the state-customized model documents for their use. Although some state processes and requirements will not be applicable to local governments, local governments can amend the documents and get final approval through their own attorneys.

Program Administration Processes

- Develop an ESCO pre-qualification process (if this is not feasible, develop a model RFP for each owner to use).
- Develop a final ESCO selection process (for owners to select an ESCO from the pre-qualified list).
- Develop customized contracts (audit contract and performance contract) incorporating requirements and recommendations.
- Establish recommendations and requirements for projects.
- Establish a protocol for interacting with owners, such as the owner Memorandum of Understanding (MOU).

Owner Processes

- Agree to participate in the program.
- Select an ESCO from the pre-qualified pool of ESCOs following the established final selection process (or issue an RFP if a pre-qualified pool of ESCOs does not exist).
- Execute an Investment Grade Audit Contract, customizing the contract provided by the program.
- Negotiate and execute an Energy Savings Performance Contract to implement the projects.
- Establish a means for project financing, including the option for the ESCO to issue an RFP through the Financing Solicitation Package provided.

4.3.1 Program Administration Process Documents

The program can streamline the process for owners by pre-qualifying ESCOs and establishing an agreement with qualified ESCOs.

4.3.1.1 Request for Qualifications (RFQ) to Pre-Qualify ESCOs

The Request for Qualifications (RFQ) to pre-qualify ESCOs sets the stage for a streamlined procurement and contracting process in the state, and establishes a clear role for the program to launch, administer, and oversee a program. The list of pre-qualified ESCOs resulting from this RFQ helps owners procure qualified service companies. This step has streamlined many state programs including in Arizona, Colorado, Hawaii, Kansas, Maryland, Montana, North Carolina, Oregon, South Carolina, Utah, Virginia, Washington, Wisconsin, Wyoming and others.

ESCOs pre-qualified through an RFQ will be eligible to provide services to owners that choose to participate in the ESPC program. The primary intent of this selection process is fourfold:

- To ensure minimum qualifications of ESCOs to implement successful ESPC program projects
- To offer qualified firms the opportunity to engage in an ESPC agreement
- To provide owners the opportunity to procure services of qualified firms in a timely and cost-effective way
- To increase the number of successful performance contracts in the state, as a means to implement comprehensive energy efficiency projects in existing buildings

To establish a streamlined process, a program should include the following elements in the RFQ:

- Solicitation to enable the state program to establish a pre-qualified list of ESCOs, so that any participating owner can select an ESCO from this pre-qualified pool to complete a performance contracting project in its facilities
- Contract templates, which can be pre-approved by the state to reduce the time and difficulty for owners to obtain such services
- Evaluation criteria, such that the list will include all ESCOs deemed qualified. It is a pass/fail test rather than a screening to select the top three or so ESCOs.
- Savings requirements for state buildings and the stipulation that ESPC can be used to meet the requirement.

To set the stage, a program should include the following elements in the RFQ:

- How pre-qualified ESCOs participate in the processes and responsibilities of parties
- How owners participate in the processes and the role of the program in any follow-on oversight
- An agreement with pre-qualified ESCOs to define processes, establish responsibilities, and outline the state energy office's role in any oversight
- An agreement with owners to describe the process, the services to be provided by the ESPC program, and the role and requirements of the participating owner
- Pre-qualified ESCOs may participate in the program for a four-year term, subject to an annual review

ESPC PROGRAM RESOURCES

- [Model RFQ to pre-qualify ESCOs with evaluation forms](#)
A program can use this model RFQ to pre-qualify ESCOs.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-2: At-A-Glance – RFQ to Pre-Qualify ESCOS
This document briefly describes each segment of the model document, along with negotiating items and recommendations for developing an RFP for your state.

4.3.1.2 [ESCO Base Contract for Pre-Qualified ESCOs](#)

After selecting the pool of pre-qualified ESCOs and defining the final selection process, develop a contract with each pre-qualified ESCO. The contract establishes program requirements for each pre-qualified ESCO to provide performance contracting services, including how to solicit projects, use approved contracts, report data, adhere to proposed or negotiated maximum rates, and work with program participants. The model energy performance contracting agreements can be customized for any project.

Program administrators should meet annually with each pre-qualified ESCO to review projects and program policies.

ESPC PROGRAM RESOURCES

- [ESCO Base Contract](#)
This sample contract establishes roles and requirements for pre-qualified ESCOs participating in the state's program.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

- Appendix D-4: At-A-Glance – ESCO Base Contract (Contract for Pre-Qualified ESCOs) *This contract briefly describes each segment and clause of the model contract, along with negotiating items and recommendations for developing an ESCO base contract for your state.*

4.3.2 Owner Process Documents to Develop a Project

The following set of model documents is available for owners to solicit an ESCO, solicit a financier, and contract with the ESCO to conduct an Investment Grade Audit and an Energy Savings Performance Contract. The program can provide the documents to prospective owners in the state or region as-is or customized by the program to the extent possible for owner use.

4.3.2.1 Request for Proposals (RFP) to Select an ESCO – Standard RFP

Where there is no process in place to pre-qualify ESCOs, each owner needs an individual Request for Proposals (RFP).

ESPC PROGRAM RESOURCES

- [RFP for facility owner to select an ESCO \(single use\)](#)
Owners can use this RFP to competitively select an ESCO for a specific project.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

4.3.2.2 RFP to Select an ESCO – with Pre-Qualified ESCOs

If ESCOs are pre-qualified to provide performance contracting services to owners, a final selection process establishes how an owner can competitively select an ESCO from the pre-qualified pool to meet the needs of the specific project.

The secondary ESCO selection process may vary to meet the requirements of particular procurement policies and the specific project needs. For example, if a state develops a process to follow its state procurement rules, cities or school districts will need to apply their own procurement rules.

The process represented in the ESPC Program Resources will likely meet a state’s minimal procurement requirements. It retains flexibility and simplicity to streamline the ESCO selection process for owners and ensures that the process will meet procurement requirements of the state or the intended users. The final selection process can easily be customized to add more rigor if needed.

However, avoid going to the other extreme of requiring an ESCO audit competition. Such a requirement puts the burden on competing ESCOs to invest a lot of time with no clear return, and on the state to review and evaluate the lengthy and technically detailed responses. Further, because all the ESCOs were pre-qualified to meet performance standards, the responses may not provide added value in the selection process.

ESPC PROGRAM RESOURCES

- [Secondary/final selection process and evaluation forms](#)
An owner can use this process and forms to draw from the pre-qualified list of ESCOs for a final competitive selection.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-3: At-A-Glance – Final ESCO Selection
This appendix briefly describes each segment and clause of the model document, along with negotiating items and recommendations for developing a final selection process for your state.

4.3.2.3 [Investment Grade Audit and Project Proposal Contract](#)

The contract for the Investment Grade Audit and Project Proposal is the first of two contracts to develop a project with the selected ESCO. As a part of this process, the ESCO completes an Investment Grade Audit, which identifies and evaluates each potential cost-saving measure with projected energy cost savings and itemized project costs. The parties will agree on an M&V plan at this time to establish savings verification procedures for each measure. They will also develop a project proposal to reflect aggregated measures that may be financed through guaranteed savings with a projected cash flow over the financing term. The results of the audit will form the basis for negotiating the second contract, the Energy Savings Performance Contract for project implementation.

ESPC PROGRAM RESOURCES

- [Technical energy audit and project proposal \(Investment Grade Audit contract and project proposal\)](#)
This document includes the terms of payment and a detailed scope of work.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-5: At-A-Glance – Investment Grade Audit (IGA) and Project Proposal Contract
This document briefly describes each segment and clause of the model contract, negotiating items and recommendations for developing an IGA contract for your state.

4.3.2.4 [Energy Savings Performance Contract](#)

The Energy Savings Performance Contract, sometimes referred to as the Implementation Contract, follows satisfactory completion of an Investment Grade Audit Contract to implement the negotiated projects. The Energy Savings Performance Contract defines the final agreed-upon scope of work, the guarantee, the savings verification process, and project cash flows. It also includes the improvement measures, the equipment and labor costs associated with them, and associated energy and maintenance costs and savings. Other important components include a construction schedule, design parameters, equipment specifications and warranties, maintenance requirements, and responsibilities of the ESCO and the facility owner.

To meet the needs of the state program and users, the model Energy Performance Contract should be customized (e.g., include legislative requirements and recommendations, changes from the legal department and the state buildings authority).

ESPC PROGRAM RESOURCES

- [Energy Performance Contract](#)
This document addresses all aspects of a performance contract, including schedules and appendices to define the project, savings measurement protocols, and roles and responsibilities of the ESCO and the owner.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-6: At-A-Glance – Energy Savings Performance Contract
This appendix briefly describes each segment and clause of the model document, along with negotiating items and recommendations for developing an Energy Savings Performance Contract for your state.

4.3.2.5 [Financing Solicitation Package](#)

The financing agreement is a standalone agreement, separate from the Energy Savings Performance Contract, between the owner and a financial organization and signed by the owner at the same time as the performance contract. The two agreements link through the payment schedules and the guarantee.

Financing is possible in a number of ways, including the owner's internal financing processes, a competitively selected financing company, bonds or other funding sources, or a combination of sources. Typically, financiers that specialize or have experience in performance contracting projects provide the financing.

Another option for obtaining financing is a Financing Solicitation Package, which can be issued by the owner or by the ESCO on the owner's behalf. This method meets the need for competitive procurement, eliminates the owner's need to issue a separate RFP for financing, and positions the financing as an integral part of the performance contracting approach.

ESPC PROGRAM RESOURCES

- [Financing Solicitation Package](#)
This document includes an RFP to competitively select a financing company and protocols to include in a lease agreement.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-7: At-A-Glance – Financing Solicitation Package
This appendix briefly describes each segment and clause of the model document, along with negotiating items and recommendations for developing a Financing Solicitation Package for your state.

5. OVERSEEING A PROJECT

ESPC can be an unfamiliar process involving numerous individual projects under one contract. To address issues associated with comprehensive ESPC projects, state programs often offer direct technical assistance from ESPC experts to guide owners through the process and ensure project success. Multi-faceted ESPC projects can have a high overall cost (often in the millions), and numerous processes involving multiple disciplines (procurement, contracting, project management, budgeting, financing, and long-term maintenance). ESPC projects typically include many years of measurement and verification to monitor the performance guarantee. ESPC usually entails a comprehensive approach involving most, or all, of the owner's building portfolio, and addresses most or all of the electrical, plumbing and controls systems. It involves project oversight of the investment grade audit, selection and installation of efficiency measures, and savings verification. State technical assistance resources can help owners work through these issues for a successful outcome.

ESPC programs can put in place the following practices depending on resources and the level of owner involvement.

5.1 Owner Memorandum of Understanding

A Memorandum of Understanding (MOU) between the program and its participants establishes clear expectations and requirements for both the owner and the program. It establishes requirements and guidelines for a participating owner and establishes the program's authority.

If the program charges a fee for its services, or if it intends to do so in the future, this formal agreement can easily be adapted to include fee collection (see the Self-Funded Program segment).

The MOU establishes the program's commitment to provide specific technical assistance for each phase of the project. Moreover, it commits the owner to engage the program's services at critical stages in the project, an important point, since owners often do not seek assistance at critical times when issues can be pre-empted.

It is important, however, not to let the MOU become a barrier that delays discussions and restricts the owner's efforts to pursue performance contracting.

ESPC PROGRAM RESOURCES

- [Owner Memorandum of Understanding](#)
This document, initially developed by the State of Wyoming, presents the roles and responsibilities of the program and the owner.
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- Appendix D-1: At-A-Glance – Owner Memorandum of Understanding
This appendix briefly describes each segment of the model document.
- [Colorado's Standards for Success](#)
This document serves as an alternative to the MOU and lists roles and expectations without the need for a formal signature.
(<http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheadername1=Content-Disposition&blobheadername2=Content-Type&blobheadervalue1=inline%3B+filename%3D%22Standards+for+Success+%28EPC%29>)

5.2 Technical Assistance Services

A performance contracting program may provide professional project facilitators to advise owners on every step in a performance contracting project. A project facilitator is an experienced, unbiased advisor who helps owners avoid obstacles and expedite projects, guiding the team through the process of developing, implementing, and verifying savings from Energy Savings Performance Contract (ESPC) projects. Responsibilities may include project development, guidance on the processes, audit review of savings and pricing estimates, contract negotiations and contract review, data tracking, and annual measurement and verification.

Providing technical assistance gives the program the option of collecting a fee from a project's guaranteed savings to support the cost of technical assistance.

The scope of technical assistance will vary based on funds available for this service. Funding options include:

- **Program-Supported Technical Assistance**
 - Low-cost option: High-level guidance from program staff members with an emphasis on web-based resources and on-call assistance as needed. It also includes pre-qualification of third-party consultants to provide owner-funded technical assistance.
 - Medium-cost option: High-level guidance from a performance contracting specialist at critical stages in each step of the process (as identified below).
- **Owner-Funded Technical Assistance** (some or all of the costs may be rolled into the performance contract such that savings pay for an owner's agent to provide technical assistance on the project)
 - Minimal option: Third-party monitoring of the ESCO's measurement and verification process to ensure that protocols in the performance contract are followed, and that savings are achieved per the contract and guarantee guidelines. This option should begin with oversight of the measurement and verification plan developed in the audit phase.
 - Medium-cost option: High-level professional guidance at critical stages in each step of the process (as identified below).
 - High-cost option: In-depth guidance and technical review, service as the owner's representative.

Technical assistance by project facilitators who serve as field representatives may include the following (at the medium-cost level):

- **Project Development Phase:** Determine if performance contracting is a realistic option and reach a "go" or "no-go" decision to proceed with an RFP. This determination involves a phone discussion to pre-screen the project, a site visit to discuss how performance contracting could meet the needs of the owner, and a high-level feasibility study to present the cost and savings potential for a few key measures.

- **RFP Phase:** With a “go” decision from the owner, the RFP phase involves customizing the model RFP and capturing facility and utility use data to enable responding ESCOs to assess whether to submit a proposal.
- **Investment Grade Audit Phase:** Guide the owner through the audit process, providing a template document, attending the kick-off meeting with the ESCO, and reviewing and commenting on several iterations of the audit report to validate cost and savings estimates.
- **Financing Phase:** Guide the ESCO through a competitive solicitation on the owner’s behalf so that the ESCO can help the owner select a provider with the best financial terms and services to finance the project.
- **Performance Contract Phase:** Interact with the owner and the ESCO to review and comment on iterations of the contract to ensure mitigation of the owner’s risks and thorough documentation in the contract.
- **Measurement and Verification Phase:** Review, comment on, or approve the ESCO’s savings reports to validate for the owner that the guarantee was satisfied on either a quarterly or an annual basis.
- **Project Data Collection:** Collect detailed technical data on the project to document the success of the project and the success of the program.

ESPC PROGRAM RESOURCES

- Appendix E-1: Technical Assistance Tasks for Field Representatives (Medium-Cost Option)
This appendix outlines the technical assistance tasks that a program could consider providing through field representatives to assist owners through the process, including the number of hours for each service (medium-cost option).
- Appendix E-2: Sample RFP and Contract to Solicit Field Representatives (Project Facilitators)
The program could use this RFP to hire one or more project facilitators to serve the program. Alternatively, project owners can use the document to solicit their own project facilitators.

5.2.1 Project Screening

It is important to pre-screen potential projects to ensure there is potential for an ESPC project, and to determine if technical assistance is needed and justified. Because the goal is to develop a performance contracting project, a project must have the size and scale for at least one ESCO to be interested. Experienced program staff or a project facilitator can usually conduct project screening over the phone.

ESPC PROGRAM RESOURCES

- Appendix E-3: Project Screening
This appendix is a detailed list of items to consider when assessing projects for technical assistance.

5.2.2 Assess ESPC Project Potential

The opportunity for an ESPC project to be developed depends on a number of factors:

- Interest and buy-in from the owner to proceed with a comprehensive ESPC project involving multiple buildings where practicable.

- Interest of local ESCOs (interview ESCOs to learn the minimum size and scope that fits their business model; some ESCOs have a lower threshold than others do).
- The size and scope of the project is the first indicator to match-up with the minimum level that any ESCO will entertain:
 - Overall utility and operational budget
 - Size of buildings
 - Remaining energy/water/cost-saving opportunities (lighting and controls upgrade opportunities are usually most cost-effective, enabling bundling of other less attractive measures for a larger project)
 - Facility needs for equipment upgrades or replacements (being able to incorporate a project on the owner's wish-list helps to get buy-in for a project)
- Large-scale buildings generally have greater opportunity than residential-scale or warehouse-type buildings (large-scale buildings have more complex HVAC systems with more upgrade opportunities).
- Congregated buildings versus widely dispersed buildings (buildings that are located close together enable economies of scale).
- Available funding to augment energy savings (if the project is marginal, any added funding will enable an ESCO to increase the scope to make the project more attractive to the ESCO and more beneficial to the owner).
- There may be significant opportunities in niche applications, such as streetlighting and water/wastewater systems. These sectors may require specialized ESCOs.

5.2.3 *Prioritize Projects to Receive Technical Assistance*

Prioritize projects after the pre-screening assessment to ensure you are getting the best value for any program services you provide.

Program Criteria

Programs should prioritize projects applying for technical assistance based on whether they:

- Pass the screening test above (within program market sectors; potential for an ESPC project)
- Fall into the most desired market sectors (if the program's mission and goals define specific market sectors), such as:
 - State government (state departments, higher education institutions, auxiliary funded state buildings such as college dormitories)
 - Public school districts
 - Cities
 - Counties
 - Special districts (recreation centers, libraries)
 - Non-profits (on a case-by-case basis)
- Present an opportunity for upgrades in lighting, energy management controls, and heating/cooling systems, or combination of all; maintenance problems; comfort problems; equipment replacement needs; funding to buy-down cost of performance contract (if

project potential is low, infusion of funds compensates for this); no near-future plans to demolish, sell or replace facilities; etc.

- Have an interest in performance contracting or need for funding
- Demonstrate a willingness to pursue performance contracting (or similar comprehensive, large-scale approach)
- Set an end goal of investing in energy-saving projects (a focus on results)

Figure 6: Preliminary Self-Diagnosis to Prioritize Projects

Preliminary Self-Diagnosis

Does your facility have more than 50,000 square feet of floor area?

Do you spend more than \$60,000 each year on energy bills?

If so, an energy performance contract may work for you. It is likely to benefit you even more if you have:

- Aging buildings or equipment
- Recurring maintenance problems or high maintenance costs
- Comfort complaints
- Scarce budget resources
- Too little energy management expertise
- Too many demands on your maintenance personnel
- No recent upgrades of your lighting or controls systems
- Energy-using equipment that is ready for replacement

Local conditions matter, so what may work in one state or region may not work in another. Adapt this mini-audit for your state.

ESPC PROGRAM RESOURCES

- Appendix E-3: Project Screening
This appendix includes a detailed list of items to consider when assessing project potential for technical assistance.

5.3 Conduct a Feasibility Study

If funds and expertise are available, consider developing a feasibility study for owners as an effective marketing tool. A feasibility study conducted by a project facilitator uses simplified estimates, assumptions, and recommendations to show the estimated savings of a potential project. Feasibility studies often address energy savings, highlight the types of improvements that may be made, and identify the owner's top needs.

The information collected in this step is valuable for inclusion in the RFP.

Feasibility studies paint a vivid picture of what an ESPC project could look like and can influence owners to implement large-scale, comprehensive ESPC projects. Feasibility studies are not intended as a substitute for an Investment Grade Audit. ESCOs can utilize the study as background information,

however, with the caveat that it is not an investment grade assessment.

ESPC PROGRAM RESOURCES

- Appendix E-4: Sample Feasibility Study
This appendix includes a template for developing a feasibility study.

5.4 Project Tracking

It is important to track the progress of interactions and services with owners. A Project Tracking Log is for program staff and project facilitators who have direct contact with potential owners.

The log can serve many purposes. It can be:

- A program communications tool
- A way to track involvement of various team members with a single owner
- A way to track development of a project
- A way to update the team on a project that is restarting after lagging for years
- A resource for project details in future success stories, program information, and data projections
- A record of work performed that is useful for invoicing by project facilitators or program reporting

The resources accompanying this document include a Project Tracking Log. Staff should use the log after every interaction with an owner, capturing events as if writing a journal entry.

ESPC PROGRAM RESOURCES

- Appendix E-5: Project Tracking Log
This appendix contains a template format for logging project communications over time.

5.5 Checklist for Technical Assistance

Technical assistance providers should review project documents at critical milestones during the Investment Grade Audit and the contract phases. (These reviews are not part of the legal review of the documents and do not replace the due diligence needed by the owners.)

Appendix E-6 provides an itemized technical assistance checklist.

ESPC PROGRAM RESOURCES

- Appendix E-6: Technical Assistance Checklist
Adapted from a State of Colorado document, this appendix provides a checklist for field representatives to track each critical step for technical assistance.

5.6 Data Collection

Collecting project data is a valuable exercise. Posting project information on your website can demonstrate that performance contracting is a viable and proven approach, influencing other facility managers to move forward on a project. Such a record of program success can also support future program funding requests. A “return on investment” of ESPC project costs versus program costs helps

justify program expenses. Establishing simple tracking guidelines for projects and the program allows for sharing of newfound success and demonstrating measurable results to the public.

At minimum, track information on:

- Owner name, market sector, contact information
- Total ESPC project cost (excluding financing)
- Annual guaranteed savings
- Financing term
- Year the contract is signed

Track other information, as available – additional project details may be useful to the program in the future or to organizations that conduct data analyses on ESPC projects:

- Amount of grants or rebates
- Square footage of buildings
- Unit energy savings – annual guaranteed amounts
- Actual energy savings achieved each year
- Benchmarking information
- Emissions reductions achieved

Request or require that ESCOs commit to providing data to the program annually.

ESCOs should also report ESPC project information to eProject Builder, a national database of ESPC projects maintained by LBNL. The ESPC contract can include a requirement for the ESCO to report data into eProject Builder. The information in the database is not identifiable by owner, rather by generic facility type and geographic zone. The eProject Builder database can provide information on relevant comparable ESPC project experience, including costs and savings.

ESPC PROGRAM RESOURCES

- eProject Builder – Standardized Data Collection Template and LBNL Database
LBNL hosts a database, using US DOE funding, that includes ESPC project data from many federal ESPC projects over several decades. LBNL is expanding the database to enable states, cities and other public-sector entities to present project data and retrieve analyses and reports. A project data reporting template is recommended to standardize project reporting.

6. PROGRAM STAFFING

Staffing plays an important role in any program. A state energy office may consider assigning or hiring a program manager to develop and oversee an ESPC program. Supporting staff members or consultants, if the budget allows, include technical assistance professionals and a program assistant.

A description of these positions is included in Appendix F, along with sample job announcements, task lists, and an RFP to solicit consultants.

6.1 Program Manager

The program manager is a management and energy efficiency professional who will design, develop, and manage a government program to promote ESPC for commercial/institutional buildings throughout the state. The program manager will lead a multi-faceted effort involving program marketing, technical assistance for target market sectors and procurement and legal applications. In an education/outreach capacity, the project manager works with public and private sector stakeholders and functions as the state's advocate and trouble-shooter for ESPC.

A program manager typically has a four-year college or master's degree in a related field. Desired experience may include management, technical, and outreach skills. Experience or expertise may involve a combination of any of the following: energy efficiency in institutional buildings, energy engineering, strategic planning, construction project management, finance, government decision-making processes including procurement and contracting, government program management and training. See a detailed task list in Appendix F-1.

PROGRAM RESOURCES

- Appendix F-1: Program Manager Job Announcement with Task List
This announcement includes academic requirements, required experience, capabilities, and a detailed task list for two categories of management/outreach and owner services.

6.2 Administrative Program Assistant

Budget permitting, consider hiring an assistant to aid the program manager in all administrative tasks involving procurement, contracting, budget monitoring, coordination of contractors (project facilitators), event logistics, program data collection, and program reporting. A program assistant could also perform other more technical tasks, including processing facility owner agreements, coordinating project facilitator services, and managing the process to pre-qualify ESCOs. See the sample job announcement in Appendix F-2.

ESPC PROGRAM RESOURCES

- Appendix F-2: Program Assistant Job Announcement
This appendix includes a job announcement for a Program Assistant, including an announcement, job description, required capabilities, and a detailed task list.

6.3 Technical Assistance Field Representatives (Project Facilitators)

Technical Assistance Field Representatives (project facilitators) have expertise in building energy efficiency and ESPC. They provide one-on-one consultation services to help owners initiate and follow through with the performance contracting process. They also provide technical support to the overall program.

Program approaches and budgets can vary widely and can influence the type of project facilitation. For example:

- Without funding to support a project facilitator, a program can rely on a well-developed website to provide information, guidance, as well as process documents. Skilled staff can provide on-call support. For further owner support, the program can encourage owners to hire a project facilitator directly.
- When a program contracts (or hires) project facilitators to provide free technical services on behalf of the program, the facilitators will take a high-level approach to technical assistance to keep costs reasonably low.
- When a program directs owners to pay for their own project facilitator, a more intensive and costly approach would be followed as explained in Section 2.8.2 – Self-Funded Program
- A program may have a hybrid of the above, offering free front-end services to help owners through internal decision-making and the RFP process and then expecting the owner to hire its own project facilitator.

A project facilitator's main focus is to get projects started, provide initial consultations to help the owner work through internal decision-making processes, and obtain consensus from the owner's team of professionals who will be involved at some point during the process (facilities, administration, procurement, legal, budget, environment, and other representatives). Further support, as budget allows, may require a project facilitator to take a high-level approach to technical assistance to keep costs reasonably low. Other duties and responsibilities may include providing guidance at critical stages in the process and focusing on key issues based on the facilitator's experience, without much detail. The sample RFP identified in the Program Resources takes this approach.

The project facilitator can also be very helpful in program development, advising on effective outreach to owners to ensure successful projects, and identifying barriers and solutions to a streamlined process.

The project facilitator should be well versed in ESPC and able to serve as an independent advisor, with no affiliations (present or future) with ESCOs. Whether an individual consultant or a firm provides these services, a single point of contact is preferred to maintain consistency and build owner relationships.

ESPC PROGRAM RESOURCES

- Sample RFP and contract for technical assistance field representatives
See Section 5.2. *This document is a sample RFP and contract. The RFP includes response criteria, evaluation factors, and the selection process. The contract includes performance requirements, a sample task order with associated funding letter, and reporting requirements.*

7. CONCLUSION

The large-scale energy savings made possible through ESPC can contribute significantly to funding state operations and reducing strain on limited state budgets. To date, more than 16 states have developed and implemented successful ESPC programs providing education, model procurement and contracting documents, and technical assistance to help state agencies and local governments develop successful performance contracting projects. Several state-level ESPC programs have begun to achieve self-sufficiency, such as the State of Washington's program, which is now a fully self-funded program, able to support a staff of 14 engineers, using fees collected from project owners for technical assistance services.

The US Department of Energy is committed to helping states realize the benefits of energy efficiency through performance contracting by supporting innovative, state-led initiatives. To that end, these Guidelines provide valuable information and more than 30 resources, including customizable documents, templates, contracts, and checklists to help State Energy Offices develop successful ESPC programs and start reaping the benefits of energy savings through ESPC today.

APPENDIX A: Chapter 1 – Energy Savings Performance Contracting (ESPC)

Appendix A-1: Owner Process Steps

Appendix A-2: Overview of Debt

APPENDIX A-1: Owner Process Steps

There are several steps a client will need to complete in order to participate in a state ESPC program. After learning about ESPC and deciding whether it is a good fit, competitively select an ESCO, work with the ESCO to develop an Investment Grade Audit (IGA), negotiate and execute an energy savings performance contract, establish a financing agreement, and finally, oversee installation and monitor results.

The owner will participate in the program through the following steps:

1) Learn about ESPC

- Learn about ESPC and the state's endorsement of the concept from any of the program's outreach events or distributed informational materials.
- Engage with the program to request guidance and any technical assistance that may be available.
- Sign or agree to an MOU that establishes expectations of the owner and offerings of the program, if that is part of the program's process.
- Follow the agreed-upon process and use the program documents.

2) Decide if ESPC is a good fit

- Convene a decision-making team including administration, finance, legal, procurement, facilities, maintenance and other key staff members.
- Define goals, without being prescriptive.
- Work with the program's field representative or project facilitator to make the "go" decision.

3) Select an ESCO

- Develop a facility profile containing equipment, operation, and utility use information.
- Notify the procurement department and ask for their involvement.
- Use the Model RFP and evaluation process documentation.
- Invite ESCOs to tour the facility during the pre-bid period.
- Evaluate proposals, including critical team members in the decision-making process.
- Select an ESCO following the recommended process.

4) Work with the ESCO to develop an Investment Grade Audit (IGA)

- Request assistance from the program or project facilitators.
- Secure temporary funds to pay for the IGA in the event that a performance contract is not signed (the cost would otherwise be rolled into the performance contract).
- Establish criteria for the audit including budget line items that can be used to extract efficiency savings, projected costs, and maximum financing term.
- Customize, negotiate, and execute an IGA for the ESCO to identify and analyze projects, develop a measurement and verification plan for each measure, and present an ESPC project proposal.
- Engage the ESCO in an audit kick-off meeting with facilities and maintenance staff members involved to share their knowledge of systems and operating practices and to get their important buy-in and suggested strategies.
- Interact with the ESCO, providing facility information as needed and attending multiple planning and review meetings as the ESCO develops the IGA.
- Review the audit findings including equipment to be installed, services to be provided, itemized cost estimates, efficiency savings and cost estimates, guaranteed efficiency savings, planned schedule, measurement and verification plan, and the project proposal (which includes the financing plan).

- Work with the ESCO to finalize the scope of work to implement in the performance contract.
- Ensure efficiency savings can be measured and verified, avoiding stipulated efficiency savings where actual measurements can be done.
- Request guidance from the program on the audit findings/results.

5) Negotiate and Execute an Energy Savings Performance Contract

- Negotiate scope and terms, carrying over findings from the IGA process.
- Fully review and ensure understanding of all contract terms.
- Ensure thorough documentation of all contract schedules.
- Negotiate the guarantee and understand how it works in the event of efficiency savings shortfalls and with respect to the measurement and verification plan.
- Obtain final internal legal review.
- Execute the energy savings performance contract.

6) Establish a Financing Agreement

- Work with the budget officer to determine the method of financing.
- Obtain input on financing approaches from the ESCO.
- Competitively solicit financing.
- Execute the financing agreement at the same time as signing the energy savings performance contract.

7) Oversee Implementation

- Oversee construction.
- Manage the escrow account for construction period drawdowns.

8) Monitor the Project

- Review annual measurement and verification reports.
- Ensure compliance with the measurement and verification plan.
- Ensure the savings guarantee was achieved.

APPENDIX A-2: Overview of Debt

Financing Resources – Overview of Debt

How will financing this project with a tax exempt Lease Purchase Agreement (or Installment Purchase Agreement) affect us?

Statutory Debt View

Most state and local government entities are limited in the amount of debt that they can issue, and in many cases require voter approval. While specific rules vary by jurisdiction, most state constitutions and statutes view “debt” as an obligation to pay money in a future fiscal year. A Municipal Lease Purchase Agreement that incorporates a “non-appropriation clause” removes the legal obligation to make payments in a future fiscal period until funds are appropriated for that future fiscal period. As a result, the typical treatment is to recognize only the current fiscal year payments as debt. Future payments are typically not viewed as debt because they are contingent upon funds being appropriated at that time.

Accounting Debt View

Unlike the Statutory Debt View, lessees that are state and local governments do not follow FASB GAAP but rather follow government accounting rules issued by the Government Accounting Standards Board (GASB). The current GASB GAAP view is that the Municipal Lease Purchase Agreement (a lease with a non-appropriations right to terminate clause, a nominal purchase option and a lease payment that has a principal and interest component) are treated as capital leases by lessees in their financial reporting.

Ratings Agency View

Prior to the financial market meltdown in 2008, Moody’s and Standard & Poors representatives would publicly state that, “if we didn’t rate it, then we don’t look at it when reviewing an issuer’s credit profile.” As a result, Municipal Leases with non-appropriation clauses were generally not considered debt by the ratings agency and were not included in its analysis of the public body’s credit rating. Since 2008, the concept of “materiality” has entered into ratings agency consideration. Today, a \$5 million Lease Purchase Agreement for an energy efficiency project may get scant attention from the ratings agency if the lessee has good credit and a large financial profile. However, that same Lease Purchase Agreement entered into by a lessee with a small financial profile, may be highly material and result in impacting the Ratings Agency’s assessment of the credit and result in a lower credit rating. As a result, more and more public officials are requesting their Ratings Agency to review the Energy Services Agreement and the financing to make sure that the project financing will not impact their credit rating.



APPENDIX B: Chapter 2 – ESPC Program Overview

Appendix B-1: Program Goals and Services

Appendix B-2: State ESPC Programs List

Appendix B-3: RFP and Contract for Project Facilitators

APPENDIX B-1: Program Goals and Services

When developing a state Energy Savings Performance Contract (ESPC) program, it is important to establish program goals, as they are the main factor to consider when determining which types of services to provide. Program goals can vary widely. High-level goals include reducing energy use in state and local government facilities, ensuring successful energy efficiency projects, expanding the scope of ESPC projects, and building the local industry. Services are tailored to meet the goals, such as providing education and information, offering technical assistance, developing model procurement and contracting documents, sharing success stories, and tracking project data.

A State Energy Office (SEO) or program may have a variety of goals that can be met by increasing acceptance and use of ESPC. The following are a number of possible goals with related services that should be considered when developing a marketing plan.

Reduce Energy Use in State and Local Government Buildings

- **Goal:** Increase awareness of energy savings performance contracting.
- **Services:** Provide educational information and training.

- **Goal:** Increase the use of energy savings performance contracting.
- **Services:** Offer technical assistance and an approved streamlined process.

- **Goal:** Demonstrate comprehensive projects with deep energy savings of 20–30 percent.
- **Services:** Educate owners to establish a broad-based, comprehensive project scope.

- **Goal:** Transform the market to establish performance contracting as a standard and accepted means for implementing energy-saving projects.
- **Services:** Encourage and assist state and local government facility owners to implement projects.

- **Goal:** Institutionalize the ESPC process as a way to procure energy-efficient equipment.
- **Services:** Provide model procurement and contracting documents, success stories, project recognition, a standardized process for state government, and a gubernatorial mandate.

- **Goal:** Meet climate change or budget reduction goals.
- **Services:** Demonstrate environmental stewardship through reduced energy use and costs.

- **Goal:** Document emissions reductions.
- **Services:** Collect project data to quantify emissions reductions.

Ensure Successful Energy-Efficiency Projects

- **Goal:** Maintain a high bar for project performance that ensures efficiency savings are sustained over the long term.
- **Services:** Provide clear project guidelines including a quality Measurement and Verification (M&V) plan, offer technical assistance, ensure well-documented contracts, and provide ESCO training.

- **Goal:** Ensure ESPC legislative requirements are met.
- **Services:** Customize the model documents to incorporate state statutes.

Expand the Scope of Projects

- **Goal:** Encourage performance contracting projects that are comprehensive in scope addressing all buildings and all energy- and water-saving equipment measures that can be financed within a minimum 12-year period.
- **Services:** Discourage short-term or single-technology projects.

- **Goal:** Encourage customers and the industry to include a wide variety of technologies and approaches.
- **Services:** Incorporate renewables, innovative technologies, commissioning, measurement and verification, and systematic approaches such as Leadership in Energy & Environmental Design (LEED) and ENERGY STAR certification for buildings.

- **Goal:** Open new markets for performance contracting.
- **Services:** Educate potential owners so that ESCOs can take on lower-profit projects such as small/rural schools, housing authorities, and commercial buildings.

- **Goal:** Stay on the leading edge of the industry.
- **Services:** Encourage new approaches and technologies.

Build the Local Industry

- **Goal:** Respect the flexibility, creativity, and capability of the ESCO industry.
- **Services:** Avoid restrictive processes and use an open-ended request for proposal (RFP) process that invites a variety of technologies and approaches.

- **Goal:** Work with the performance contracting industry to establish processes and procedures that meet the needs of the state, the industry, and owners.
- **Services:** Establish a forum for open exchange of ideas and information and invite industry review and comment on processes.

Improve the Local Economy

- **Goal:** Create real jobs now through large-scale energy efficiency projects.
- **Services:** Help reduce government utility bills to reduce the taxpayer burden.

- **Goal:** Mitigate the future risk of volatile government utility bills.
- **Services:** Help governments reduce energy use.

APPENDIX B-2: State ESPC Programs List

Many states have active and successful ESPC programs. Below is a listing with website links.

Alabama

State Energy Office
Alabama Department of Economic and Community
Affairs ([ADECA](#))

Colorado

State Energy Office
Colorado Energy Office ([CEO](#))

State Buildings Administration
DPA - Office of State Architect ([OSA](#))

Georgia

Georgia Environmental Finance Authority ([GEFA](#))

Hawaii

State Energy Office
[Hawaii Strategic Industries Division](#)

Kansas

State Energy Office
Kansas Energy Office, Kansas Corporation
Commission Facilities Conservation Improvement
Program ([FCIP](#))

Kentucky

State Energy Office
Energy and Environment Cabinet,
Department for Energy Development and
Independence,
Division of Efficiency & Conservation – Commercial
Buildings ([Commercial ESPC](#))

Louisiana

State Buildings Administration
Division of Administration,
Office of Facility Planning and Control ([FPC](#))

Massachusetts

State Energy Office
Public Procurement/Municipal Energy Programs
Massachusetts Department of Energy Resources
([DOER](#))

State Buildings Administration
Massachusetts Administration and Finance, Division
of Capital Asset Management ([DCAM](#))

Minnesota

State Energy Office

Department of Commerce
[Division of Energy Resources](#)

Montana

State Energy Office
Department of Environmental Quality ([DEQ](#))

Nevada

State Energy Office
Governor's Office of Energy ([NGOE](#))

New Mexico

State Energy Office
Energy Conservation and Management Division
New Mexico Energy, Minerals and Natural
Resources Department ([EMNRD](#))

North Carolina

State Energy Office
NC Department of Commerce
[NC Energy Office](#)

Virginia

State Energy Office
Virginia Department of Mines, Minerals and Energy
[Division of Energy](#)

Washington

State Buildings Administration
State Department of Enterprise Services
[Energy Program](#)

Wyoming

State Energy Office
Wyoming Business Council - Wyoming Energy
Conservation Improvement Program ([WYECIP](#))

APPENDIX B-3: RFP and Contract for Project Facilitators

A project facilitator will provide technical assistance to guide an owner through the ESPC process which will include conducting a technical review of the investment grade audit and Measurement & Verification (M&V) plan, and ensuring a well-documented and well-understood contract document. A sample RFP and contract are provided below. These documents can be used by a program needing to solicit a project facilitator to serve owners. They also can be used by an owner to solicit its own project facilitator. These documents were adapted from the RFP issued in 2012 by the State of Louisiana's Department of Administration.

How to Use this RFP

Option A: The program administrators can use this RFP, evaluation, and contract to create a pre-qualified list of eligible consultants for the program to assign to projects. In this arrangement, the program administrator maintains the contractual agreement with the contractor and also with the owner.

Option B: The program administrator can use this RFP and evaluation process to pre-qualify consultants to work on owner projects. The owner can then select a consultant from the pre-qualified list by using the evaluation criteria to make its selection, and then contract directly with the consultant to provide guidance on its project. The program administrator has a contractual arrangement with the pre-qualified consultant that lays out guidelines and requirements for providing the required services. The owner holds the contract with the Consultant to provide direct services on its project.

The highlighted text needs to be customized.



**REQUEST FOR PROPOSALS
FOR
PROJECT FACILITATORS FOR
ENERGY SAVING PERFORMANCE CONTRACTING (ESPC)
PROJECTS**

Proposal Due Date/Time

Issue Date

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GENERAL INFORMATION

Purpose

This Request for Proposals (RFP) is issued by **Program Name** (herein referred to as the Program) for the purpose of seeking specific qualifications and proposed fee schedules from individuals or firms (Proposer) to provide Energy Savings Performance Contracting (ESPC) consulting services to **Program Name and Owners (state or local government entities)** interested in pursuing performance contracting projects) in all aspects relating to the following:

- Performance Contracting Project Development Assistance.
- Performance Contracting RFP Development Assistance.
- Proposal Technical Review.
- Assistance with ESCO Oral Interviews.
- Proposal Evaluation Services.
- Energy Audit Review Services.
- Contract Negotiation and Technical Review Services.
- Project Implementation Assistance.
- Periodic reviews of Measurement and Verification Reports.

The objective of this RFP is the selection of **two (2) to five (5)** highly qualified consultants to provide services on an as-needed basis.

Selected consultants will be identified for performance contracting projects **[select one of the options below and delete the other option]**.

- **Option A:** from assignment by the Program, through the issuance of a Task Order, on a rotating or a “best fit” basis, based on experience and other factors, at the sole discretion of Program. No compensation will be paid to any consultant prior to the issuance of a Task Order assigning them to a specific performance contract.
- **Option B:** from the owner’s selection from the pre-qualified list as made available by the Program to owners.

The selected Proposer(s) shall agree to furnish the specified services to the Program for a period of, **five (5) years** at minimum, on an as-needed basis at the rate of compensation offered in the format of the attached Schedule of Fees. Travel, attendance at meetings, and site visits shall be required in the course of furnishing the requested services, when requested by Program/Owner.

Background

The Proposer will be evaluated on the basis of all criteria set forth in this RFP including its technical knowledge of cost-benefit analysis of performance contracting, energy conservation measures, energy audits, performance contract negotiation, measurement and verification procedures, overall experience with energy performance contracting, and experience specific to the evaluation of ESCO proposals for performance contracting, all as further defined herein. The Proposer should have previous experience in performing services similar to those requested.

Scope of Services

Attachment I: Scope of Services details the scope of services and deliverables and desired results that the Program requires of the selected Proposer.

ADMINISTRATIVE INFORMATION

Term of Contract

The period of any contract resulting from this RFP is tentatively scheduled to begin on or about Date and to continue for five (5) years at minimum. Ideally, the Consultant will provide oversight and expertise through the entire duration of a performance contract which could exceed 20 years.

Proposer Inquiries

Written questions regarding RFP requirements or Scope of Services must be submitted to the RFP Coordinator as listed below.

RFP Coordinator Contact Information

- The Program will consider written inquiries and requests for clarification of the content of this RFP received from potential proposers. Written inquiries must be received by the time/date specified in the Schedule of Events below.
- The Program reserves the right to modify the RFP should a change be identified that is in the best interest of the Program.
- Official responses to all questions submitted by potential proposers will be posted by the date identified in the Schedule of Events at website address.
- Only the RFP Coordinator identified above has the authority to officially respond to proposer's questions on behalf of the Program. Any communications from any other individuals are not binding to the Program.

Schedule of Events

<u>Event</u>	<u>Date</u>
Advertise RFP and mail public announcements	<u>Date</u>
Deadline for receipt of written inquiries	<u>Date, Time</u>
Issue responses to written inquiries	<u>Date</u>
Deadline for receipt of proposals	<u>Date, Time</u>
Oral Presentations/Discussions if deemed necessary	<u>Week of [Date]</u>
Announce award of contractor selection	<u>Date</u>

NOTE

The Program reserves the right to change the schedule of RFP events as deemed necessary.

PROPOSAL INFORMATION

Determination of Responsibility

The Program must find that the selected proposer:

- Has the necessary experience, organization, technical qualifications, skills, and facilities, or has the ability to obtain them;
- Is able to comply with the proposed or required time of delivery or performance schedule;
- Has a satisfactory record of integrity, judgment, and performance; and
- Is otherwise qualified and eligible to receive an award under applicable laws and regulations.

Proposers should ensure that their proposals contain sufficient information for the Program to make its determination by presenting acceptable evidence of the above to perform the contracted services.

OTHER

Add administrative information as required by your procurement policies.

RESPONSE INSTRUCTIONS

Proposal Submission

Firms/individuals who are interested in providing services requested under this RFP must submit a proposal containing the information specified in this section. The proposal must be received in BOTH formats:

1) Hard copy (printed) version

- One (1) original, clearly marked as ORIGINAL, containing original signatures of those company officials or agents duly authorized to sign proposals or contracts on behalf of the organization.
- An additional **number (number)** copies of the proposal.
- FAX submissions are not acceptable.
- Proposers mailing their proposals should allow sufficient mail delivery time to ensure receipt of their proposal by the time specified.
- The proposal must be received by the RFP Coordinator at the address below on or before the date and time specified in the Schedule of Events. Proposers mailing their proposals should allow sufficient mail delivery time to ensure receipt of their proposal by the time specified.
- The proposal package must be delivered at the proposer's expense to:

- Postal Address

Attn: RFP Coordinator Contact Name
Address

- Hand-delivery, FedEx or other courier delivery

Attn: RFP Coordinator Contact Name
Address

2) A single PDF file, clearly named, for the Program to have on file and to reduce paper use. For electronic submission, do the following:

- Send email with PDF attachment to **[insert email address]**.

- Include name and email address.
- Submit prior to the date/time specified in the Schedule of Events.
- Request an acknowledgement of receipt.

PROPOSAL CONTENT

Interested parties should address by written narrative and/or graphic representation its expertise and experience with regard to the selection criteria listed below and as stated in the body of this Request for Proposals. The Proposer should provide the following information in its proposal:

Executive Summary

- A. This section should serve to introduce the scope of the proposal. It should include administrative information including, at a minimum, Proposer contact name and phone number, and the stipulation that the proposal is valid for a time period of at least 90 days from the date of submission. This section should also include a summary of the Proposer's qualifications and ability to meet the Program's overall requirements in the timeframes set by the Program.
- B. It should include a positive statement of compliance with the contract terms. If the Proposer cannot comply with any of the contract terms, an explanation of each exception must be supplied. The Proposer must address the specific language in **Attachment IV- Sample Contract for Consulting Services**, and submit whatever exceptions or exact contract modifications that its firm may seek. While final wording will be resolved during contract negotiations, the intent of the provisions will not be substantially altered.

Background and Experience

The Proposer should give a brief description of their company and describe each of the following details:

- A. Qualifications:
 - 1) Demonstrated experience and working knowledge of the performance contracting process, including an understanding of the local market and the required processes and statutes.
 - 2) Demonstrated experience in analysis of building and energy systems including HVAC, controls and utility rate analysis.
 - 3) Understanding and experience in dealing with government processes such as procurement, contracting, financing, and decision-making structures in state or local governments.
 - 4) Professional background, memberships, or affiliations with any energy performance contracting associations.
 - 5) Number of years in business.
 - 6) Years of hands-on experience advising state agencies or other governmental entities in implementing energy saving performance contracting projects.
 - 7) Experience providing energy performance contracting consulting or training to state or other governmental entities, etc.
- B. Previous Experience: List and describe recent experience on performance contracting projects involving facilities larger than 10,000 square feet with particular emphasis on experience in other states or in corporate/governmental entities of comparable size and diversity. Describe the types of technical assistance provided to states or other governmental entities relating to energy saving performance contracting.

- C. **References:** Provide at least three (3) project references and contact information for energy performance contracting consulting services delivered to governmental entities, particularly state or local governments. The Program reserves the right to seek additional references in addition to those submitted in the response.

Proposed Project Staff

The Proposer should provide detailed information about the experience and qualifications of the Proposer's assigned personnel considered key to the success of the project.

This information should include:

- Educational background and training.
- Identify at least one (1) Professional Engineer licensed in the state and one (1) Certified Energy Manager (CEM) on staff or on the team.
- Technical and functional experience.
- Specific dates and names of employers.
- Relevant and related experience, including past and present projects with dates and responsibilities.
- Professional background, memberships, or affiliations with any energy performance contracting associations.
- Years of hands-on experience advising state agencies or other governmental entities in implementing energy saving performance contracting programs and any applicable certifications.
- Role and responsibilities of each person on this project (related to each item in **Attachment I – Scope of Services**), their planned level of effort, their anticipated duration of involvement, and their on-site availability.
- Customer references (name, title, company name, address, and telephone number) for the cited projects in the individual resumes.

Approach and Methodology

In order to illustrate their approach and methodology, **the Proposer should include at least one representative sample of a proposal evaluation, audit review, or contract review** prepared by the Proposer relating to energy saving performance contracting technical assistance. Privileged information may be omitted but the sample presented should provide a clear and representative picture of the Proposer's capabilities and standard of quality. Other relevant materials may be included.

Cost Information

The Proposer shall provide a schedule of fees and an hourly rate for that task. The Proposer should use **Attachment III** to provide the cost information.

The hourly rates must be all-inclusive. **Travel costs and any other expenses will not be reimbursed separately and must be included in the hourly rates.**

Once the Consultant is selected to provide consulting services for a particular project, a maximum estimate of hours will be requested in negotiations. The proposed fee shall consist of the Proposer's total compensation for tasks A through G listed on **Attachment III** for all services described in the Scope of Services.

EVALUATION AND SELECTION

Evaluation Team

The evaluation of proposals will be accomplished by an evaluation team, to be designated by the Program, which will determine the proposal most advantageous to the Program/Owner taking into consideration price and the other evaluation factors set forth in the RFP.

Administrative and Mandatory Screening

All proposals will be reviewed to determine compliance with administrative and mandatory requirements as specified in the RFP. Proposals that are not in compliance will be rejected from further consideration.

Clarification of Proposals

The Program reserves the right to seek clarification of any proposal for the purpose of identifying and eliminating minor irregularities or informalities.

Oral Presentations/Discussions May be Required

The Program, at its sole discretion, may require all proposers reasonably susceptible of being selected for the award to provide an oral presentation of how it proposes to meet the program objectives. Commitments made by the Proposer at the oral presentation, if any, will be considered binding.

Evaluation and Review

Responses to the RFP will be evaluated by a committee to be selected by the Program.

1. Minimum Criteria for Responsiveness

Failure to submit a response by the time and date shall cause the proposal to be declared nonresponsive.

2. The Program will evaluate all of the responses received against the evaluation factors set forth below and will rank them in numerical order, based on the aggregate of the evaluation factors. The Program reserves the right to enter into a contract without further discussion of the proposal submitted based on the initial offers received.

Clarifications of any aspect of a Proposer's response may be sought in writing prior to scoring of the proposals. Additionally, the Program may invite those Proposers who are potential recipients of an award for an interview, in which Proposers will be given the opportunity to clarify any portion of their response. Responses given during the interview (if any) will be considered in the scoring of proposals and may result in revisions to initial scores and rankings.

Proposals that pass the preliminary screening and mandatory requirements review will be evaluated based on information provided in the proposal.

The Evaluation Team will evaluate and score the proposals using the criteria and scoring as follows:

	Evaluation Criteria	Possible Points	Point Breakdown
1.	Qualifications/Experience	40	
	a. Relevance/Quality of Proposer’s Experience		15
	b. Extent of Previous ESPC Experience		15
	c. Relevance/Quality of References		10
2.	Sample Proposal Evaluations (Approach and Methodology)	35	
	a. Clarity of Presentation		5
	b. Thoroughness		5
	c. Economic/Cashflow Analysis		5
	d. Technical Assessment		5
	e. Evaluation of M&V Plan		5
	f. TBD		5
	g. TBD		5
3.	Cost	25	See below
	Total Possible Points	100	100

A proposer’s base cost score will be based on the cost information provided in **Attachment III Proposed Schedule of Fees** and computed as follows:

$$BCS = (LPC/PC \times 25)$$

Where:

BCS = Computed cost score (points) for proposer being evaluated

LPC = Lowest Total Proposed Cost of all proposers

PC = Total Proposed Cost of proposer being evaluated

Announcement of Contractor/Consultant

The Program will notify the successful Proposer(s) and proceed to negotiate terms for final contract. Unsuccessful proposers will be notified in writing accordingly. At Program’s discretion, after conducting a thorough review, multiple highest-ranking Proposers may be selected. The Program reserves the right to determine the quantity of Proposers who may be selected for award.

SUCCESSFUL CONTRACTOR REQUIREMENTS

Billing and Payment

Billing and payment terms shall be negotiated with the successful Proposer(s). As indicated above, hourly rates are to be all-inclusive for travel and other costs.

Confidentiality

Under no circumstance shall the Contractor discuss and/or release information to a prospective ESCO (prior to ESCO selection) or the media concerning this project.

All financial, statistical, personal, technical and other data and information relating to the Program's or Owner’s operation which are designated confidential by the Program and made available to the Consultant in order to carry out this Contract, or which become available to the Consultant in carrying out this Contract, shall be protected by the



Consultant from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the Program or Owner.

Conflict of Interest

The Consultant cannot be an officer or employee of any energy service company (ESCO) nor have any contract relationships with ESCOs prior to and during the term of any contract resulting from this RFP. This is critical to maintain the credibility of the Program and to ensure neutrality in advising the Owner's ESCO selection.

8. ATTACHMENT I: SCOPE OF SERVICES

The Consultant shall provide the following services:

- A. **Performance Contracting Project Development Assistance** to Owners. Serve as trouble-shooter and communication facilitator, and support the Program/Owner throughout the process to ensure owner's expectations are appropriately met by the ESCO. Work in a team approach with Program/Owner. Provide a cursory assessment of the potential for an energy savings performance contracting project ("go" or "no-go" assessment based on knowledge of the ability of ESCOs to develop a project). Facilitate training sessions for Owner staff members to establish concept-level buy-in from key decision-makers (procurement, legal, finance, administration, facilities), determine the decision-making process and authority needed for each step, identify the champion to lead the process, and serve as the point person representing the Owner.
- B. **Performance Contracting RFP Development Assistance** to Owners (state or local governments) including, but not limited to, ensuring understanding and buy-in from key decision-makers (procurement, legal, finance, administration, facilities) and gaining full approval to proceed on the RFP, guidance in developing the Facility Profile to include in the RFP as information for ESCOs, Proposed Project Schedule, and identification of special needs or specific desired projects that may not otherwise be considered by an ESCO. Owners may choose to use their own staff or consultants for RFP development rendering this service unnecessary. Attend the site visit and help educate ESCOs about the Owner's needs, interests and requirements. Answer technical questions that arise during the RFP process.
- C. **Proposal Technical Review** including, but not limited to, review of written proposals submitted by Energy Services Companies (ESCOs) for the purpose of identifying key technical issues that need to be addressed or considered by the evaluation committee or that need to be clarified by the ESCO. It is generally recommended that the Consultant not be part of the scoring/ranking process but rather be an advisor to help ensure the Owner selects an ESCO whose proposal is most advantageous to the Program/Owner.
- D. **Assistance with ESCO Oral Interviews** including, but not limited to, preparing proposal-specific questions for oral interviews, participating in ESCO oral interview sessions, and participating in debriefing sessions for ESCOs.
- E. **Proposal Evaluation Services** including, but not limited to, compiling and generating written, numeric and graphic cumulative evaluation ranking instruments for procurements.
- F. **Energy Audit Review Services.** Assist in negotiation of the audit contract. Attend the audit kick-off meeting and subsequent meetings and calls including interim review meetings for the 30%, 60%, 90% and final audit completion.

Evaluate the risks and cost of the performance M&V strategies.

Review the selected ESCO's investment grade technical energy audit including, but not limited to:

- Baseline development for units and costs of energy, water, operational and maintenance, and other usage/cost categories to be used in efficiency savings calculations.
- Analysis of recommended measures.
- Cost estimates for each measure, itemized, and reasonableness.
- Efficiency savings estimates for each measure with associated costs, savings analysis methodologies, supporting calculations and assumptions, and reasonableness.
- Life expectancies for each measure.
- Related operation and maintenance procedures that are impacted and how to ensure persistence of efficiency and cost savings.
- Efficiency savings Measurement and Verification (M&V) Plan.
- Commissioning plan.
- Potential environmental impacts.

- Cumulative efficiency and cost savings estimates and interactions among measures.
- Economic and cash flow analysis.
- Training strategies.

- G. **Contract Negotiation and Technical Review Services** including, but not limited to, review of contract technical schedules, equipment to be installed, proposed baselines and baseline development methodology, operations and maintenance strategies and responsibilities, project commissioning plans, efficiency savings measurement and verification plan for each measure, thorough documentation, and consultation with Owner personnel as required. Assist the Owner with negotiations and final contract approval. Act as the Owner's Representative in negotiating all issues with the ESCO.
- H. **Project Implementation Assistance** to function as a third party to make unbiased recommendations for fast and fair resolution to any project related issues that might arise during the design and construction phase. Review the ESCO's commissioning report. Participate in final project acceptance.
- I. **Periodic reviews of Measurement and Verification Reports** including, but not limited to, review of annual efficiency savings/shortfall calculations, M&V methodology, and baseline adjustment methodology.

9. ATTACHMENT II: PROPOSED SCHEDULE OF FEES

To be completed and submitted by Proposer

Request for Proposals for Consulting Services for Energy Saving Performance Contracting

Name of Proposer: _____

Task	Maximum Hours*	Hourly Rate	Total Cost* (Hours x Rate)
A. Project Development			
B. RFP Development Assistance			
C. Proposal Technical Review and Evaluation Services			
D. Assistance with ESCO Oral Interviews			
E. Proposal Evaluation Services			
F. Audit Review Services			
G. Contract Negotiation and Technical Review Services			
H. Annual reviews of Measurement and Verification Reports			
Total Proposed Cost (Sum of lines A through G)			

* Maximum Hours and Total Cost are not required at this time. They will be required when the Consultant is selected for a specific Owner project regarding both options below:

- **Option A:** When the Program assigns the Consultant to an Owner project, requiring a specific proposal.
- **Option B:** When this RFP is used by an Owner to obtain an estimate for consulting costs on the Owner's project.

10. ATTACHMENT III: SAMPLE CONTRACT FOR CONSULTING SERVICES

Use a standard contract for consulting services and insert the following project-specific information:

Program Name:

Consultant Name:

CONTRACT FOR CONSULTING SERVICES

Payment

In consideration of the services described above, State hereby agrees to pay to Contractor a maximum fee of **contracted amount spelled out** dollars. Payment will be made monthly only on approval of Program/Owner. Hourly rates are all-inclusive, including travel costs.

Property of Program/Owner

Upon completion of this contract, or if terminated earlier, all records, reports, worksheets or any other materials related to this contract shall become the property of the Program/Owner.

Entire Agreement

This contract, together with the Request for Proposals (RFP) and addenda issued thereto by the Owner, the proposal submitted by the Contractor in response to the Owner's RFP, and any exhibits specifically incorporated herein by reference, constitute the entire agreement between the parties with respect to the subject matter.

Assignment

The Contractor shall not assign any interest in this contract and shall not transfer any interest in same (whether by assignment or novation), without prior written consent of the Owner, provided however, that claims for money due or to become due to the Contractor from the Owner may be assigned to a bank, trust company or other financial institution without such prior written consent. Notice of any such assignment or transfer shall be furnished promptly to the Owner.

The contractor's personnel assigned to this contract may not be replaced without the written consent of the State. Such consent shall not be unreasonably withheld or delayed provided an equally qualified replacement is offered. The Contractor will make every reasonable attempt to assign the personnel listed in his proposal.

Confidentiality

All financial, statistical, personal, technical and other data and information relating to the Program's/Owner's operation which are designated confidential by the Program/Owner and made available to the contractor in order to carry out this contract, or which become available to the contractor in carrying out this contract, shall be protected by the contractor from unauthorized use and disclosure through the observance of the same or more effective procedural requirements as are applicable to the Program/Owner.

Scope of Services

Insert Scope of Services from the RFP.

11. ATTACHMENT IV: PERFORMANCE CONTRACTING RULES

Legislation

Insert any legislation directed to the market sectors you intend to serve.

Check the following website for legislative statutes in your state:

<http://www.ornl.gov/info/esco/legislation/newesco.shtml>

Program Requirements

Provide a link to the Program's website.

Insert any specific requirements or call-out requirements that are integrated into the model documents.

Model Documents

Insert website link or actual documents intended for use by the Program. Documents include an RFP to select an ESCO or a process to select an ESCO from a pre-qualified list, audit contract, performance contract and associated process information. If these are not yet defined, a model set of documents used as a basis for documents of many state programs, is posted on the website of the Energy Services Coalition (ESC):

<http://www.energyservicescoalition.org/>

APPENDIX C: Chapter 3 – Education and Outreach

Appendix C-1: Marketing Plan

Appendix C-2: Barriers and Solutions to Market Acceptance of ESPC

Appendix C-3: Key Benefits to Convey

Appendix C-4: Key Strategic Partners

Appendix C-5: Outreach Strategies

Appendix C-6: Program Website Layout

Appendix C-7: Slideshow – *What is ESPC and How Does it Work?* (See separate Microsoft PowerPoint file)

Appendix C-8: Handout – *5 Steps to Successful Energy Savings Performance Contracting* (See separate Microsoft Word file)

Appendix C-9: State Program Guidelines

Appendix C-10: State Program Guidelines Template (See separate Microsoft Word file)

Appendix C-11: Handout – *What is ESPC?* (See separate Microsoft Word file)

APPENDIX C-1: Marketing Plan

The Energy Services Performance Contracting (ESPC) marketing plan will define the goals, services, and outreach strategy for the ESPC program. The plan is based on the program's goals and barriers with ESPC, and includes a schedule of events to help keep the program on track. Below is a template for developing an effective marketing plan.

Program Overview (some of this information can be repeated in the state program guidelines)

- Name of office and program, with contact information.
- Program staff, organizational structure, and roles.
- Discussion on personnel capability.

ESPC Background

- Energy Service Companies (ESCOs)
 - Discussion of ESCO involvement in the state.
 - List of active ESCOs and their target markets.
- ESPC Activity
 - List of past state projects, identifying the market sectors.
 - Perceived success of the projects.
 - Anecdotal documentation.
 - Market penetration by sector.
- Barriers to ESPC projects
 - Level of awareness of ESPC within those market sectors.
 - Perceived barriers or concerns that hinder market acceptance.
 - Real barriers such as prohibitive administrative processes.
- Remaining ESPC potential, by market sector.

Program Goals

- List the goals and high-level services that will meet those goals.
- Describe how strategies overcome any identified barriers.
 - Refer to Appendix C-2: Barriers and Solutions to Market Acceptance of ESPC.

Target Audience

- Define the target audience within market sectors and any subset of the market sectors.
- Identify specific decision-makers to target within those market sectors.

Targeted Messages

- Define any targeted messages to help break through barriers with specific market sectors or specific professionals within those sectors.

Leveraging Support

- Identify key associations and organizations with compatible goals.
- Engage them to provide in-kind support in distributing information and co-hosting workshops.

Engage Champions

- Identify and engage trusted champions.
 - Champions from each market sector.
 - Champions from successful projects.

Program Services

- Define the audience for program services.
- List the services to be provided.

Resource Toolkit (informational materials)

- List the informational materials to be developed, in order of priority.
- Develop a Gantt chart or spreadsheet to schedule the development of key materials and to identify ongoing activities.

Outreach Activities

- List the outreach activities in order of priority.
- Develop a Gantt chart or spreadsheet to schedule the development of key materials and to identify ongoing activities.

Program Support Activities

- List the program support activities in order of priority.
- Develop a Gantt chart or spreadsheet to schedule the development of key materials and to identify ongoing activities.

Tracking the Marketing Plan and Activities

- Regularly refer to the marketing plan to track accomplishments and stay on track.
- Amend as necessary, using this as a living document.

APPENDIX C-2: Barriers and Solutions to Market Acceptance of ESPC

Market barriers pose a challenge to the use of ESPC, and in some cases can limit its efficacy. Topping the list of market barriers is unfamiliarity with the process, or uncertainty in the project cost and associated savings. To develop an effective marketing plan for achieving program goals, it is important to first identify the barriers that impede rapid uptake of ESPC and develop potential program solutions to overcome those barriers. Following are typical barriers and solutions, although the degree to which these barriers are problematic varies from state to state.

How to Identify Barriers

1. First, interview ESCOs individually to capture their experiences, results, and anecdotal comments.
2. Interview key government stakeholders, such as the state buildings administration that has oversight authority over state agencies and similar entities related to other market sectors.
3. Interview some ESPC owners who developed projects to learn about the challenges they faced in making the decision to develop a project, as well as surprises or lessons learned as they implemented projects.

While conducting these informal interviews, also solicit ESCO, government stakeholder, and ESPC owner support to participate in a public/private partnership or other education/outreach activities.

Barriers

Owners will have many concerns about ESPC, often stemming from their limited understanding of ESPC and lack of awareness about successful projects. Following is a sampling of many of these barriers that a marketing plan can address.

Lack of Awareness or Understanding of ESPC

- Little to no awareness of performance contracting as a means to fund facility improvements
- Concern that it sounds “too good to be true.”
- No awareness of independent resources from which to obtain unbiased information.

Institutional Issues

- Belief that paying financing costs is a bad practice for governments and that a better approach is to await allocations (even though savings pay for financing costs).
- Concern with losing control of facilities (concern that temperatures, building use patterns, etc. will be controlled by the ESCO in order to capture related savings).
- Anticipated future changes in staffing levels, committed decision-makers, building use, or funding for facilities improvements, which could make long-term contracts unwise or could impose delays in moving forward.
- Competing demands on staff resources.

Skepticism of Projected Project Costs and Results

- Lack of awareness regarding measurement and verification (M&V) protocols to confirm efficiency savings.
- Rumors of projects that did not deliver savings.
- Concerns that it costs too much with no cost controls.

Lack of support from decision-makers

- Multiple decision-makers with differing objectives.
- Inability to get all decision-makers on board.
- Wariness among decision-makers due to unfamiliarity with the approach and the complex process.

Complexity of the Process

- Staff leaders from many different divisions need to “buy-in,” including engineering, financial, legal, procurement, and facilities divisions.
- Administrative burden of developing and issuing a Request for Proposals (RFP), executing two contracts, overseeing a financing RFP, and executing a lease-purchase agreement.
- Lack of an internal champion (or lack of an effective internal champion).
- Limited staff capability and resulting difficulty of project management.

Performance contracting approach versus in-house approach

- Owners believe that they can do the work in-house with existing staff members and budget.
- A persistent preference to do as-funded, in-house projects rather than a comprehensive ESPC approach.
- Lack of awareness of the opportunity cost associated with delay (cost of continuing to pay utility costs that could otherwise be reduced and used to invest in facilities).
- Belief that business-as-usual in doing piece-meal projects is the best practice.
- Lack of awareness of the benefit of tackling energy/water projects in a comprehensive way to capture synergistic benefits of reduced cost and better design.
- Belief that only low-cost, low-payback items should be funded as energy projects, minimizing the comparison to a broad potential project scope.
- Concern that performance contracting may cost more than in-house approach.
- Difficulty in comparing costs between the performance contracting approach and the in-house approach.

Unfamiliarity with the ESCO Industry

- Lack of trust in ESCOs.
- Negative rumors, perceptions, or experiences with ESCOs or ESPC.

Solutions

Many of the barriers identified above can be addressed with the same solutions. Following is a sampling of program solutions that begin to shape a program’s approach.

Education/Outreach

- Show examples of successes and how the success was achieved including dollars saved or expenditure offset.
- Describe performance contracts as a way to secure new infrastructure improvements without capital expenditures, highlighting the many associated benefits, such as improvements in comfort and reduction in maintenance demands.
- Present performance contracts as a way to increase reliability and convenience, save time, and improve risk management.
- Build the credibility of the ESCO community through case studies, endorsements, and speaking engagements.
- Demonstrate local project successes, providing references from unbiased third parties to demonstrate positive results.
- Create targeted awareness campaigns to reach specific decision-makers involved in finance, facilities, procurement, and other department-level staff members.
- Create multiple approaches that address the needs and interests of each decision-maker level.
- Present a broad perspective at workshops or networking events for different points of view. Include representatives from the state energy office, ESCOs, third-party technical advisors, and the Energy Services Coalition.

Process Development

- Describe the approved process.

- Provide a pre-qualified list of ESCOs to reduce the procurement burden of identifying quality providers.
- Increase owner confidence by offering model documents.
- Describe risk mitigation approaches that are built in to the process and model documents (M&V, cost assessment, cost controls, contract documentation, etc.).
- Build the credibility of the ESCO community as a proven approach that delivers performance.

Focus on Specific Process Steps

- Create a targeted awareness campaign aimed at different professional groups: finance, procurement, facilities/maintenance, and administration communities.

APPENDIX C-3: Key Benefits to Convey

ESPC projects deliver many benefits. Key benefits are identified below as they relate to government decision-makers, facility managers, finance officers, and procurement specialists. Messaging those key benefits as they relate to critical decision-makers is an important strategy in the ESPC program's marketing plan. These messages can be used in communications materials to influence different decision-makers.

Government Decision-Makers

A smart approach

- Performance contracts are a way to get new infrastructure improvements without capital expenditures – highlight improvements in comfort and reduction in maintenance.
- Performance contracts are a way to increase reliability and convenience, save time, and improve risk management.
- An approach that has worked for many governments across the nation.
- A tested approach that delivers results with low risk.
- A best practices solution (instead of paying high utility bills, invest in facilities).

Wise use of government dollars

- Reduce the taxpayer burden.
- A best practices solution – divert wasted energy dollars to pay for infrastructure.
- Avoid opportunity cost and make the utility budget work to your benefit.
- Manage utility costs.
- Reduce the risk of volatile utility prices.
- Increase worker/student productivity and reduce absences.
- Reduce financial risk with guaranteed efficiency savings.

Meet climate change & energy saving goals

- Reduce long-term energy use.

Modernize infrastructure

- Get better buildings now.

Good environmental stewardship

- Reduced consumption of limited energy and water resources.
- Pollution prevention.
- Renewable energy opportunities.
- Reduce our dependence on fossil fuels.

Economic development

- Create jobs – ESCO staff, subcontractors to ESCOs, equipment suppliers, engineers, installers, on-site energy managers, service providers, and more.
- Invest money into the local economy.

Financial benefit

- Low level of financial risk with guaranteed efficiency savings structured to meet the lease payment.
- Rising energy costs means greater efficiency savings resulting from the performance contracting project (compared to what utility costs would have been without the energy-saving projects).

Support your organization's mission

- Increased productivity and reduced absences of workers or students (related to modernizing facilities, resolving comfort complaints, and improving lighting and air quality).

Facility Managers

Improve maintenance practices

- Improve comfort to reduce complaint calls.
- Reduce or eliminate maintenance problems, giving maintenance staff members more time to conduct preventive maintenance.
- Implement energy management controls systems which provide information to track and manage energy budgets and ensure equipment is running optimally.
- Guaranteed performance with measurable results.
- Update or replace equipment without competing for limited capital budget funds.
- Reduce maintenance costs through new equipment and better design.
- Apply best practices in utility and facilities management.
- Reduce backlog of capital budget needs.

A solution to limited budgets

- Capital improvement without spending capital dollars.
- Undertake large scale, comprehensive building improvement projects without adding staff members (when ESCO manages multiple projects under one contract) and without competing for capital improvement dollars.
- Avoid the cost of delay.
- Leverage other funds, such as utility incentives, grants, bonds, and in-house funds.
- Stabilize budgets by minimizing vulnerability to future energy rate increases.
- A sustainable approach, post-American Recovery and Reinvestment Act (ARRA).

Better buildings

- Comprehensive, whole-building approach for better systems and deep efficiency savings.
- Improve work/study environment – indoor air quality, comfort and lighting quality.
- Modern systems.
- Better lighting quality and improved thermal comfort.

Sustained energy savings/risk avoidance

- Ongoing project monitoring to verify efficiency savings.
- The ESCO takes on the risk of performance.

Manage risk

- Risks can be mitigated through a sound process.
- Establish the level of M&V rigor for each measure.
- Establish a schedule to avoid delays which can reduce efficiency savings and increase costs.
- Clarify how major changes in facilities, such as closures, will be handled.
- Establish how the baseline will be adjusted if operating hours change.
- Establish baseline adjustments to prepare for weather variations.
- In the event equipment does not perform as intended, establish M&V process and document responsibilities in the contract.
- Clarify roles to avoid impact of operations activities on performance.

Finance Officers

- Performance contracts provide an opportunity to improve infrastructure without capital expenditures.
- Avoid opportunity cost and make the utility budget work to your benefit.
- Manage utility costs.
- Reduce the risk of volatile utility prices.
- Reduce financial risk with guaranteed efficiency savings.
- Reduce maintenance costs, thanks to new equipment and better design.
- Reduce backlog of capital budget needs.
- Capital improvement without spending capital dollars.
- Undertake large-scale, comprehensive building improvement projects without adding staff members (when ESCO manages multiple projects under one contract) and without competing for capital improvement dollars.
- ESCOs provide a fixed price and take on the risk and cost of change orders
- Avoid the cost of delay.
- Leverage other funds, such as utility incentives, grants, bonds, and in-house funds.
- Stabilize budgets by minimizing vulnerability to future energy rate increases.

Procurement Specialists

- ESPC has worked for many governments across the nation.
- The procurement and contracting process is a proven process.
- Model documents have built-in protections to select a quality ESCO and follow-through with well-detailed contracts.
- A best practices solution – divert wasted energy dollars to pay for infrastructure.

APPENDIX C-4: Key Strategic Partners

Associations and organizations are key strategic partners. The list below identifies national organizations involving various professional staff members of school districts, higher education institutions, municipalities, and energy professionals. Many of the organizations have state chapters that may be active in your state.

Organizations and associations with the potential to be key strategic partners may be:

- Organizations with members from the target sector audience.
- Organizations with similar goals (environmental or buildings organizations, utilities).
- Organizations with an active chapter in your state.

Organizations with a Performance Contracting Focus

- National Association of Energy Service Companies ([NAESCO](#))
- Energy Services Coalition ([ESC](#))
- National Association of State Energy Officials ([NASEO](#))
- U.S. Department of Energy ([DOE](#))

Cities, Counties, Towns, Municipalities

- International City County Management Association ([ICMA](#))
- ICLEI Local Governments for Sustainability ([ICLEI](#))
- National Association of Counties ([NACO](#))
- National League of Cities ([NLC](#))
- [US Conference of Mayors](#)

Higher Education

- Leadership in Educational Facilities ([APPA](#))
- National Association of College and University Business Officials ([NACUBO](#))

Schools

- American Association of School Administrators ([AASA](#))
- Association of School Business Officials ([ASBO](#))
- Leadership in Educational Facilities ([APPA](#))
- National School Boards Association ([NSBA](#))

Energy and Environmental Professionals

- American Society of Heating, Refrigeration and Air-Conditioning Engineers ([ASHRAE](#))
- Association of Energy Engineers ([AEE](#))
- Association of Energy Services Professionals ([AESPP](#))
- U.S. Green Building Council ([USGBC](#)) – Green Building Chapters

Facilities Professionals

- Building Owners and Management Association ([BOMA](#))
- International Facility Management Association ([IFMA](#))
- Leadership in Educational Facilities (school and higher education facilities ([APPA](#)))

Renewable Energy Organizations

- American Wind Energy Association ([AWEA](#))
- Solar Energy Industries Association ([SEIA](#))

Utilities

- Identify your local utilities – electric, gas, and water utilities
- Municipal electric and gas utilities – [Directory](#)
- National Association of Utility Regulatory Commissioners ([NARUC](#))
- National Rural Electric Cooperative Association ([NRECA](#))

APPENDIX C-5: Outreach Strategies

The Energy Savings Performance Contracting (ESPC) program administrators could implement a variety of outreach strategies, including educational information on the program website, webinars and workshops, an ESPC project success story library, a recognition event, and a mentoring program. Below is a list of potential strategies, with links to some past events hosted by state programs.

The goal of the education/outreach campaign is to support the program's goals to complete ESPC projects, interest owners in the ESPC process, and provide educational support to help owners through the process (augmenting any direct technical assistance that may be offered by the program). The education/outreach campaign can provide cost-effective training to reduce the amount of direct technical assistance provided to owners.

Owner Outreach

Informational Resources

- Program website
 - Post educational materials, success stories, workshop announcements, model documents, and similar materials.
 - Link to other informational resources.
 - Maintain it as a one-stop-shop for ESPC information in the state.
- Program news for owners
 - Present program services that are available and where to find informational resources.
 - Reinforce that it's a state program endorsing the ESPC concept.
 - Encourage potential owners to express their interest in learning more, so you can help them develop a project.
- Educational materials
 - Describe performance contracting, how it works, the many benefits, and related information.
 - Develop customized materials targeted to different markets or different decision-makers.
 - Develop a how-to guide on the process steps, referring to model documents.
- Success stories
 - Develop a portfolio of success stories with variations in market sector, ESCO, and project size.
 - Present an easy-reading description of the project with key facts and share quotes from various decision-makers to capture their perspectives.
 - Describe the challenges faced by the owner (e.g., failing boiler with no capital budget) and what the ESPC project resolved (e.g., replaced boiler with improved thermal comfort and reduced maintenance problems).
- Project List
 - List projects by name and market sector.
 - Post a map with flags at project sites.
- Case study library
 - Collect project data.
 - Maintain a project list with data and publish the list on the program website.
 - Develop a one-page brief on the project including a half-page narrative and data.
 - Distribute these documents as e-postcards to targeted owners.
- News article on each project
 - Develop an article to give local recognition to a project, posting it in the owner's local newspaper.
 - Distribute to others in that market sector including potential owners and associations or organizations.
- Leverage support from associations and organizations representing the market sectors
 - Co-brand materials.
 - Co-host workshops.

- Pursue commitments to share information through association newsletters and websites.
- Submit information for newsletters – success stories, training announcements, etc.
- Pursue and obtain speaking spots at conferences.
- Post links on partner websites.
- **Recognition**
 - Feature projects on the website.
 - Develop an informative success story on the project.
 - Prepare a press release about the project for the local paper.

Outreach Activities

- **Social Media**
 - Develop a network of prospective owners, ESCOs, decision makers, and others.
 - Post announcements, project updates, and offers of services.
- **Phone Conferences**
 - Introductory interactive phone conferences with a target group to ramp up ESPC activities (ESPC overview and offering of program services).
 - Host peer networking opportunities.
 - Host “office hours” for anyone to call-in to ask questions of program staff or technical assistance providers.
- **Webinars**
 - Host topic-specific webinars.
 - Host single-topic, 90-minute webinars to present discussions too specific for workshops, and/or to replace the workshops and trainings mentioned below.
- **Workshops**
 - Hold a state-wide, full-day workshop involving a variety of speakers and topics – request support from your public-private organization.
 - Hold a half-day workshop – introduce ESPC to potential owners and get commitment to explore ESPC further.
 - Hold a regional workshop (take the workshop on the road to present it in different regions of the state).
 - Hold a focused audience workshop (focus on particular decision-making groups).
 - Invite speakers including owners and ESCOs representing successful projects.
 - Invite other speakers to present information about utility rebate program, financing approaches, other incentive programs, advancements in technologies, environmental benefits, etc.
 - Provide a certificate of training to participants.
 - Don’t go it alone – request support from your public-private partnerships and other organizations/associations.
- **Training**
 - Provide training for those who will manage projects, presenting in-depth information in a classroom-type setting.
 - Provide a certificate of training to participants.
 - Partner with an organization that offers training credit units.
- **Events**
 - Partner with another organization to put on a larger event, broader in scope and deeper in complexity than a workshop.
 - Include different tracks to customize the learning experience for different audiences
 - Invite dignitaries to kick-off the event.
 - Conduct a workshop to build on an event with co-branding by the event sponsor.
- **Peer networking discussions**
 - Facilitate phone discussions and provide an opportunity for Q&A with program experts and with each other.
 - Topics could focus on the process steps that are common to participants or to the market sector.

- Recognition
 - Feature successful projects on the program website and in slideshows.
 - Honor project champions at an annual event.
 - Hold a recognition event at a popular location and invite a public figure to speak to the crowd; hand out framed certificates to each honoree while a photographer takes pictures.
 - Incorporate a recognition ceremony into an already-existing, well-attended high-profile event.
 - Develop a story about the event and honorees – distribute to the honoree’s organization and public relations office, associations/organizations and major news outlets, and post on the program website.
- Mentoring program
 - Engage former owners who have developed successful projects to work with their peers
 - Coordinate an initial peer-to-peer meeting to establish a mentoring relationship for future on-call guidance.
 - Engage them in the peer networking discussions above to reinforce the mentoring activity.
- Presentations at conferences
 - Identify conferences that target decision-makers attend.
 - Identify conferences for key decision-makers of a target audience (school district business officials, college facilities directors, state officials, county officials, building owners and operators, finance and budget managers).
 - Identify conferences for specific professionals (facility managers, energy managers, energy services professionals).
 - Determine when and how to request participation as a speaker at various conferences and submit necessary applications (often one year in advance).
 - Put together a presentation that is customized for the audience.
 - Include speakers representing successful projects.

Program Outreach

In addition to reaching owners to develop projects, it is important to communicate program results, challenges, and documented successes to sustain funding and continued support. It is also helpful to engage stakeholders such as Energy Service Companies (ESCOs) and others involved in ESPC to provide input to the program and assist with activities.

Informational Resources

- Program news for high-level stakeholders
 - Use project data to report on program successes, bottom-line results per sector, and overall environmental savings, and share the information with the program’s department head, governor, and others.
 - Distribute program news to associations and organizations and post on the program website, including an overview of program services to market the program.
 - Recycle the information in annual reports.

Outreach Activities

- Host a public/private partnership forum.
 - Invite stakeholders in the ESPC process, from both the public and private sectors, to meet regularly, including ESCOs, energy engineering firms, utilities, program administrators with influence over different market sectors, vendors, and others interested in the program’s goals.
 - Identify barriers and solutions, serve as a sounding board to the program, and support the program’s goals by mobilizing the forum to help put on events or develop materials.
- Promote parallel interests that could be accomplished through ESPC.
 - When a state energy office has an interest in geexchange, wind energy, biomass, new construction, LEED, or other specialties, train and support ESCOs to include these measures in ESPC projects.

- Issue an Executive Order.
 - Some governors have issued executive orders to encourage or require state agencies to develop performance contracts, sometimes as a methodology to meet the governor’s goal of a percentage reduction in utility use by a certain year; this method is very effective to spur the acceptance and uptake of the ESPC approach among state agencies. This approach also enables the state to lead by example, paving the way for local government projects.
- Develop Program Guidelines.
 - A program guidelines template with an outline and key introductory information is ready for you to customize in Appendix C-10; this document could serve several purposes; as decisions are made and documents are developed, the information can be summarized and held in your State ESPC Program Guidelines.

Technical Services (as related to outreach efforts)

- During outreach efforts.
 - Describe technical services in the educational materials and outreach efforts, whether it’s a website-only service or direct technical assistance.
 - Involve technical assistance providers in the outreach efforts (such as presentations on technical issues and overview of services).
 - Include an information request in the outreach efforts to get basic information on the facilities and energy use.
- Hand-off from outreach to technical assistance.
 - Hold a pre-screening discussion to assess opportunities and determine what level of technical assistance will be provided.
 - Follow up with personalized owner-level meetings with key decision-makers to discuss how ESPC could work in their facilities.
 - Conduct a feasibility study to identify and assess potential projects (this is a snapshot of what an ESPC might look like, not a substitute for the ESCO’s assessment).
 - Get the “go” decision from decision-makers.
 - Maintain ongoing professional technical facilitation to help implement projects.
- Project information feeds outreach effort
 - Collect details on projects to use in the marketing effort.
 - Use data to tell the story (diverted dollars pay for facilities modernization and staff training, electricity and gas reduction equivalency in terms of the number of cars that could be removed from the road, etc.).

APPENDIX C-6: Program Website Layout

A key first step in education and outreach for an Energy Savings Performance Contracting (ESPC) program is to develop a website including information and links relating to ESPC. Below is a sample website outline, including a program overview, services provided, and links to ESPC information and case studies.

Energy Savings That Pay For Projects

What Is Energy Savings Performance Contracting?

Energy Savings Performance Contracting is a way to make energy-saving improvements now without tapping into your capital budget; the resulting efficiency savings is structured to pay for all project costs over time. You benefit immediately, getting new equipment, expertise from energy service professionals, ongoing maintenance services, and the ability to accomplish many projects all at once. Best of all, efficiency savings and performance are guaranteed.

Here's How it Works

You enter into an agreement with a private energy service company (ESCO). The ESCO will identify and evaluate energy-saving opportunities and then install a package of improvements structured to be paid through future savings. The ESCO guarantees that annual efficiency savings result in savings that meet or exceed annual payments to cover all project costs – usually over a contract term of 12–20 years. If efficiency savings don't fully materialize, the ESCO pays the difference. To ensure savings, the ESCO offers personnel training and long-term maintenance services.

Many types of building improvements can be funded through your existing budgets – new lighting technologies, boilers and chillers, energy management controls, water-saving improvements, and photovoltaic systems, among others.



Below are some suggested pages and resources that you may want to add to your ESPC program website. Internet URLs are provided to help you refer the user to external sources. Italicized or highlighted text indicates that you may need to provide state-specific information.

What is ESPC?

- **Introduction**
 - What is ESPC?
(provide an introductory overview and link to Appendix C-11: Handout – What is ESPC?)
 - What is ESPC and How Does it Work?

(provide a link to Appendix C-7: Slideshow – What is ESPC and How Does it Work?)

- **Opportunities and Advantages**
 - http://www1.eere.energy.gov/wip/solutioncenter/pdfs/T2_ICF_FS3_OpportunAdvant_FINAL_052311.pdf

Project Successes

- **Project Successes in [State name]**
 - List and describe or link to project successes
- **Project Successes Across the Nation**
 - National Association of Energy Service Companies Case Studies
<http://www.naesco.org/member-projects>
 - Energy Services Coalition Case Studies – searchable by state
<http://energyservicescoalition.org/casestudies>

Getting Started

- **[State name] State Office of Energy is Here to Help You**
 - List the entities served
 - List the program offerings
- **Understand the Process**
 - Five Steps to Successful Energy Savings Performance Contracting
(provide a link to Appendix C-8: Handout – 5 Steps to Successful Energy Savings Performance Contracting)
 - The Process
http://www1.eere.energy.gov/wip/solutioncenter/pdfs/T2_ICF_FS7_ESPCProcess_FINAL_052311.pdf
 - Process checklist (provide link to program-developed information)
- **Legislation** (state government, local government)
 - Legislation for State Government (provide link to your state’s legislation)
 - Legislation for Local Government (provide link to local legislation in your state)
- **Get Help from a Third Party Consultant**
 - Describe this process and provide links as appropriate
- **Find an ESCO**
 - List pre-qualified ESCOs if applicable and provide link
- **Energy Services Coalition (ESC)** – ESCO members (follow link and sort on “Company Type: ESCO” and “Location”)
<http://energyservicescoalition.org/members>
- **National Association of Energy Service Companies (NAESCO)** – ESCO members.
<http://www.naesco.org/members-escos>
- **Federal Energy Management Program** – qualified list of ESCOs.
http://www1.eere.energy.gov/femp/pdfs/doe_ql.pdf
- **Understand Financing**
http://www1.eere.energy.gov/wip/solutioncenter/pdfs/T2_ICF_FS4_HowtoFinance_FINAL_052311.pdf

Learn more

- **ESPC Resources**

- U.S. Department of Energy’s Energy Efficiency and Renewable Energy – Solution Center
http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html
- *Energy Services Coalition (ESC)*
www.energyservicescoalition.org
- National Association of Energy Service Companies (NAESCO)
www.naesco.org
- Federal Energy Management Program
<http://www1.eere.energy.gov/femp/financing/espcs.html>
- **Contact Us**
 - *Link to text below – Attachment D*
- **Upcoming webinars on ESPC**
 - Check back.



APPENDIX C-7: Slideshow – What is ESPC and How Does it Work?

See the attached [Microsoft PowerPoint file](#).



APPENDIX C-8: 5 Steps to Successful Energy Savings Performance Contracting Handout

See the attached [Microsoft Word document](#) for customization.

APPENDIX C-9: State Program Guidelines

This appendix provides links to program guidelines developed by Connecticut, Florida, Georgia, Hawaii, and more. Some state guidelines describe the program policies while others describe how owners should proceed with a project. For some states, the program website serves as a guidelines document.

Alabama

Alabama Energy Performance Contracting Guide, 2012, Connecticut Energy Efficiency Fund
(<http://www.adeca.alabama.gov/Divisions/energy/Documents/State%20Energy%20Program%20docs/Performance%20Contracting/AEPC%20Manual%20revised%2012-2011.pdf>)

Connecticut

Best Practices Guide for Energy Savings Performance Contracting in the Municipal, University, School, and Hospital Markets, 2012, Connecticut Energy Efficiency Fund
(<http://energizect.com/sites/default/files/111003%20Final%20CT%20ESPC%20Best%20Practices-1.pdf>)

Florida

Energy Performance Contracting Manual: State of Florida, 2003, Florida Energy Office, Department of Community Affairs and Department of Environmental Protection
(<http://fl.energyservicescoalition.org/Data/Sites/8/documents/manual/Florida%20Manual.pdf>)

Georgia

Energy Performance Contracting – State Agency Manual (Click on: State Agency Manual), 2012, Georgia Environmental Finance Authority
(http://gefa.georgia.gov/sites/gefa.georgia.gov/files/related_files/document/Draft%20GESPC%20Manual%20-%20Final%20Draft%20for%20Handout%209-24-12.pdf)

Hawaii

Guide to Energy Performance Contracting – State of Hawaii, 2011, Department of Business, Economic Development, and Tourism, Strategic Industries Division
(<http://energy.hawaii.gov/wp-content/uploads/2011/10/HawaiiEPCGuide-2011.pdf>)

Idaho

State of Idaho – Guide to Energy Performance Contracting, 2008, State of Idaho
(http://www.energy.idaho.gov/energyefficiency/d/idaho_performance_contracting_howto.pdf)

Massachusetts

Energy Management Services Guide V.2.1: Providing Energy Savings through Energy Performance Contracting, 2011, Commonwealth of Massachusetts, Executive Office of Energy and Environmental Affairs – Department of Energy Resources
(<http://www.mass.gov/eea/docs/doer/green-communities/pubs-reports/ems-guide.pdf>)

Mississippi

Energy Performance Contracting Manual for Mississippi's Public Agencies, 2007, Mississippi Development Authority

North Carolina

North Carolina Guide to Energy Performance Contracting for K-12 Schools, Local Governments & Community Colleges, 2008, Waste Reduction Partners, with support from State Energy Office, North Carolina Department of Administration, and others
(<http://wastereductionpartners.org/phocadownload/userupload/Resources/NC%20Guide%20to%20Energy%20Performance%20Contracting%20with%20bookmarks%20on.pdf>)

Oregon

Guide to Energy Savings Performance Contracting, 2006, Oregon Department of Energy
(<http://www.oregon.gov/energy/CONS/ESPC/Pages/index.aspx>)

Washington

Energy Savings Performance Contracting – Guidelines for Public Agencies in Washington State, 2012, Washington State Department of Enterprise Services; Facilities Division – Energy Program (<http://des.wa.gov/SiteCollectionDocuments/Facilities/EPC/ESPCGuidelines.pdf>)

Wisconsin

Guidelines for Energy Saving Performance Contracts, 2013, State of Wisconsin Department of Administration, Division of Facilities Development (<http://www.doa.state.wi.us/documents/DFD/StateBuildingProgram/EnergyConservationProg/Performance%20Contracting%20Guidelines.pdf>)

APPENDIX C-10: State Program Guidelines Template

See the attached Microsoft Word document for customization.

APPENDIX C-11: Handout – What is ESPC?

Refer to the attached Microsoft Word document for customization.

APPENDIX C-8: Five Steps to Successful Energy Savings Performance Contracting Handout



Steps to Successful Energy Savings Performance Contracting

12. STEP 1

Decide if energy savings performance contracting (ESPC) is a good solution for you.

Your first step is to consider how a performance contract would work for you. Review your facility needs, current staff capabilities, and the potential to make cost-saving facility improvements.

Find out if your facilities are a good candidate for a performance contract. Your ability to use energy savings performance contracting depends on whether there are significant energy and water-saving opportunities to interest an ESCO. See the Mini-Audit below. Ask [your State Energy Office](#) for guidance to get started.

Assemble a team. Put together an energy action team within your organization to explore the possibility of a performance contract. Include maintenance staff as well as financial, legal and procurement staff at the onset.

Define your goals. Think big! ESPC projects can be broad in scope and scale with projects that deliver efficiency savings.

Assess ESCO services and benefits. ESCOs offer a wide variety of services and manage a large-scale, comprehensive approach to upgrading facilities, all paid for through efficiency savings. Decide what is important for you.

What can an ESCO do for me?



- Identify and evaluate energy, water and operational savings opportunities
- Provide engineering services from design to equipment specifications
- Order and install equipment, and manage construction of a wide variety of projects
- Provide long-term energy management and maintenance services as desired
- Educate about financing and bring in financial incentives
- Guarantee performance and efficiency savings



STEP 2

Select an energy service company (ESCO).

The ESCO will be your partner for a long time, so it is important to select one that shares your vision and is capable to meet your needs. A request for proposals (RFP) is an excellent way to identify interested ESCOs and compare approaches. See the model RFP.

Get assistance. Your State Energy Office will provide information, resources and assistance to guide you through the selection of an ESCO.

Develop a facility profile. To help the ESCO understand your facilities, describe the energy use, equipment, operating schedule, maintenance problems, and any planned equipment replacement or renovation plans. Also include the utility bill history for the past three years. See the Model RFP mentioned above as a template and for tips.

Share your goals. List any specific projects you'd like the ESCO to consider. This is not intended to be prescriptive, as the ESCO will identify cost-saving strategies to develop an effective project. Set a high bar to achieve deep retrofits – more savings to support more projects.

Solicit ESCOs. Follow the Model RFP process, get approval from your procurement department, and invite ESCOs to participate. Your State Energy Office will provide a list of pre-qualified providers, or visit the following websites to find a list of service providers:

[National Association of Energy Service Companies \(<http://www.naesco.org/members-escos>\)](http://www.naesco.org/members-escos)
[Energy Services Coalition \(<http://mojo.energyservicescoalition.org/members>\)](http://mojo.energyservicescoalition.org/members)

Invite ESCOs to tour the facility. Interested ESCOs will need to visit your facility and interview facility staff before preparing their proposals.

Evaluate the proposals. Evaluate the qualifications of each ESCO for the skills, expertise and experience you need. Interview the top contenders to better evaluate their approach to the project and their ability to work with you.

14. STEP 3

Contract with your ESCO to identify cost-saving opportunities.

Your ESCO will perform an investment-grade audit that identifies cost-saving opportunities and evaluates their potential. This provides you with critical information to later negotiate your performance contract to implement the projects. Next, the ESCO will prepare a project development agreement proposing a package of measures to include in the performance contract. See the Model Investment Grade Energy Audit and Project Development Agreement with negotiating tips.

Negotiate an Investment Grade Audit (IGA) and project development agreement with your ESCO. Establish your criteria for the audit (identify which budget savings categories can be applied and the maximum financing term). The cost of the IGA can be rolled into your performance contract so that guaranteed savings pay for it. If you do not sign a performance contract, you will be responsible for paying for the audit, so it is critical to have funds set aside in advance. You do not pay for the audit if the ESCO is unable to identify a package of measures to be paid for with projected savings, given the criteria you established.

Review the IGA results. Review the technical and cost details presented in the IGA and discuss the suggested improvements with your ESCO. Your ESCO will recommend a group of retrofits that optimize cost-effectiveness and benefits.

Ensure efficiency savings can be measured and verified: A measurement and verification (M&V) plan must specify how to determine efficiency savings for each measure even as operating or climate conditions change.

Projects are bundled together to pay for the total cost

- **Controls:** Install a new energy management control system to improve operational strategies
- **Lighting:** Replace lamps and ballasts or entire fixtures
- **Heating:** Replace aging boilers, steam traps, and pumps
- **Cooling:** Replace aging chillers, cooling towers, or pumps
- **Ventilation and Distribution:** Install variable speed fans or replace fan or pump motors
- **Water:** Improve landscape irrigation and switch out plumbing fixtures
- **Renewables:** Wind, solar thermal, and solar electric can be included as well, when cost-effective in the bundled package

15. STEP 4

Negotiate an Energy Savings Performance Contract with your ESCO.

An energy savings performance contract is your road map for implementing and tracking the project over the term of the agreement. It should clearly define roles and responsibilities and explicitly state how savings are determined and how the guarantee will be applied. See the Model Energy Savings Performance Contract with negotiating tips.

Negotiate the scope and terms of the contract. Get input from your engineering, financial and legal staff. Negotiate costs and ask for open-book pricing to ensure that you receive good value.

Negotiate a guarantee to meet your needs. The guarantee is the cornerstone of an energy savings performance contract. Efficiency savings are guaranteed and projected to cover the annual financing payment. The ESCO pays any remaining balance if projected annual efficiency savings are not reached.

Arrange financing. Work with your financial officer to determine the best funding or financing strategy, with educational support from your ESCO as needed. A common option for governments is municipal tax-exempt financing with an annually renewable lease-purchase agreement. Leverage grants, utility rebates and in-house funds to maximize your project scope and reap more benefits.

Review maintenance requirements and services. In order to guarantee performance or savings, an ESCO often requires maintenance on new equipment. Additional services can include reviewing operation strategies, reporting on equipment operating problems, and repairing and replacing equipment.

Resources and Model Documents Available

- Free guidance from your State Energy Office
- Model Request for Proposals (RFP)
- Guidance to hire a third party facilitator
- List of ESCOs
- Model Investment Grade Audit & Project Development Agreement
- Model Energy Performance Contract
- Financing Solicitation Package

Visit your State Energy Office website for downloadable and customizable documents [[State Energy Office Documents Web page](#)].

16. STEP 5

Verify savings and enjoy the benefits.

Follow-up monitoring helps ensure that you are getting full value from your energy savings performance contract. The success of the monitoring effort depends on the level of detail you documented in the contract.

Approve the installation. Review the requirements detailed in the contract and check that all equipment was installed as specified. Also confirm that standards of comfort such as temperature and light levels were achieved.

Operate the building as agreed in the contract. The ESCO will maintain, monitor and verify the installation as specified.

Maximize benefits through trained staff. Your ESCO will train your facility staff in optimal operation of equipment and systems. This will help ensure savings and minimize future maintenance, while maximizing the life of the equipment.

Review the quarterly measurement and verification (M&V) reports. Meet with your ESCO regularly to monitor your success.

Don't delay!

Get started now and by next year you can be enjoying new equipment, improved comfort and reduced maintenance. Efficiency savings that could be paying for facility improvements are wasted every day of delay!

Contact us today! We're here to help you get started.

Your State Energy Office

Web Site

Contact Information



APPENDIX C-10: State Program Guidelines Template



Energy Savings Performance Contracting (ESPC)

Program Guidelines for State Name Market Sectors

Program Name

State Energy Office Name

Date

LOGO

How to Use This Document

Many states have developed guidelines for their ESPC programs. The guidelines are posted on their websites and used as a master program resource.

Below is a template designed to help states easily develop guidelines for a specific ESPC program. It includes key text and references as well as placeholders for the marketing plan, customized model documents, program requirements, state legislation, and other core program materials. Generic text is provided and is intended to be customized.

The template draws from the **Energy Savings Performance Contracting Guidelines for Developing, Staffing, and Overseeing a State Program**, developed in 2012 by the Technical Assistance Program of the U.S. Department of Energy – Energy Efficiency and Renewable Energy. It serves as a continued resource of customizable material.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Appendix C-9: Program Guidelines of States for examples.
This provides links to program guidelines developed by states including Connecticut, Florida, Georgia, Hawaii, and others.

Terminology

Multiple terms are used in this document, the numerous appendices, other resources provided through links, and in the ESPC industry. Some are identified below:

Owner, Facility Owner, Agency, End-User, and Institution refer to the entities you assist through your ESPC program.

Energy Savings Performance Contract, ESPC, Energy Performance Contract, Performance Contracting and Guaranteed Energy Savings Agreement are used synonymously.

ESPC Field Representative, Technical Assistance Provider, Third Party Facilitator, and Owners Representative are used synonymously except that the field representative has a less-involved role than the others in helping an owner through the ESPC process.



Table of Contents

Create your table of contents here.

Energy Savings Performance Contracting Program

[State Name]

Program Overview

The _____ (State Energy Office Name) launched an Energy Savings Performance Contracting (ESPC) Program in _____ (year). Energy Savings Performance Contracting enables program participants to accomplish ESPC projects without using capital budgets, paying for projects through avoided costs. The Program was developed to increase the understanding and use of this approach, to provide a standardized process with clear direction and accountability for all participants, and to help ensure successful projects with results that can be measured and verified.

[Summarize information detailed below:]

The _____ Program's specific goals are to _____, and _____. The program provides resources and technical assistance to _____ and _____ in the state. The Program provides educational information, training sessions, and model procurement and contracting documents to help governments decide whether the ESPC is a good fit and to see them through the process of selecting a provider, developing a contract, and verifying the results.

Program Goals

Program goals are to:

- Reduce energy use in state and local government buildings.
- Transform the market to establish performance contracting as a standard and accepted means to implement energy-saving projects.
- Develop comprehensive projects to achieve deep energy savings of 20–30% across all owner buildings.
- Provide streamlined pre-approved approaches to help decision makers more effectively follow-through with performance contracting projects to ensure success.
- Partner with associations, governments, and utilities to leverage their existing relationships and communication avenues to educate target audiences about performance contracting.
- Inform and influence as many stakeholders as possible in the state to be more efficient and productive, and to free up money for other important investments.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.1, Appendix B-1: Program Goals and Services
This lists many specific ESPC program goals and associated services to achieve the goals.

Program Authority (or Role of the State Energy Office)

The role of the _____ (State Energy Office) in developing this program is to provide information, education and technical assistance to support other agencies and _____.

Include the role of other agencies as relevant, such as the state public works department.

Legislation: Your state's legislation may direct certain agencies to oversee program activities or to develop administrative procedures. If this is the case, describe that role and cite the reference here. Find your state's legislation at: [State Legislation on ESPC](#) (<http://mojo.energyservicescoalition.org/resources/state-legislation>) (this may not be up-to-date, so also search for current statutes).

Executive Order: Likewise, an executive order may direct a state body to develop such a program.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.2: Who Should Develop an ESPC Program?

Program Participants

The program serves the following sectors:

- State agencies
- Higher education institutions
- Public K-12 school districts
- Cities
- Counties
- Other state or local governments

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.3: Who Does an ESPC Program Serve?

Program Services

The Program is providing a variety of services to aid the above participants in the process, including: education on the ESPC approach, pre-qualified ESCOs to streamline the procurement process and ensure qualified providers, an established process, approved contract documents to customize for a specific project, and direct technical assistance from ESPC experts under contract to the Program.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 2.1: Why Consider an ESPC Program?
This presents high-level goals and services.
 - Section 2.4: What Does an ESPC Program Do?
This presents best practices and program services.
 - Which States Have ESPC Programs?
This presents approaches and successes of other state programs.

Potential Results

The state has the opportunity to develop projects of about \$100 per capita in state and local governments, based on successes of other states with well-developed programs. This opportunity amounts to \$_____ in this state. The true opportunity of energy-saving projects in these sectors is far greater, and the resulting cost savings can be used to support comprehensive ESPC projects.

PROGRAM RESOURCES

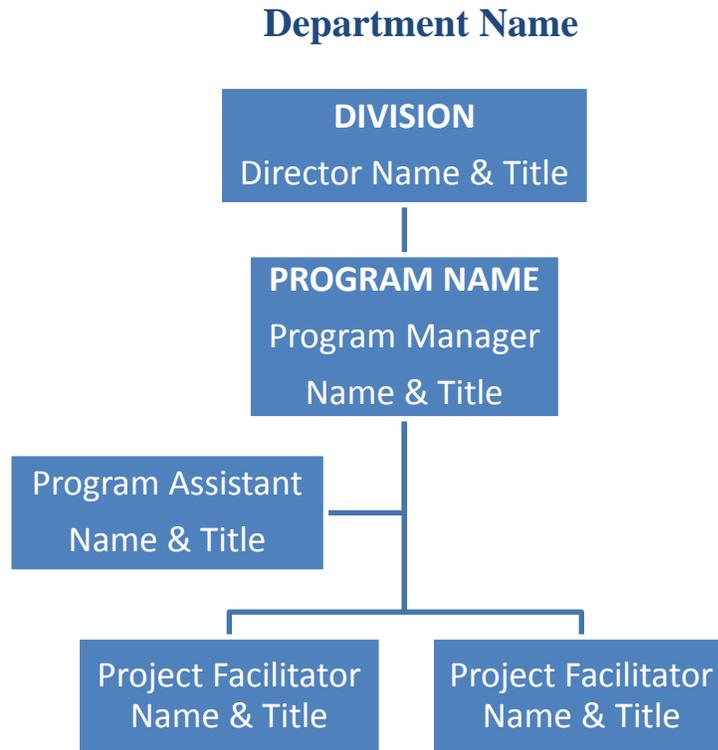
- U.S. DOE ESPC Guidelines, Section 2.9: How Can the Success of a Program Be Measured?

Organizational Structure

The Program's organizational structure is shown in the figure below:

Tip: Use Microsoft Word's SmartArt tool to re-structure the chart below (click on the structure, then right click to see options).

Figure 1: Program's Organizational Structure



Staff

Key staff members and their roles are described below.

Program Manager: insert role description

Program Field Representatives (Project Facilitators): insert role description

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.7: How Can an ESPC Program be Staffed?
This includes task descriptions of a program manager and program assistant.

Program Funding

Describe the source of program funding and discuss the options or barriers for establishing a self-funded program.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines:
 - Section 2.8.1: Scaling an ESPC Program Based on Funding Levels
 - Section 2.8.2: Building a Self-Funded Program
This section presents a self-funded strategy to assess owner fees to support program costs.

ESPC Program Best Practices

The following set of best practices was developed through funding by the U.S. Department of Energy by the Energy Services Coalition. The best practices are recommended for states to consider in developing and implementing a statewide Energy Savings Performance Contracting (ESPC) Program.

The Program is adopting many of the nationally recognized best practices for programs, provided they are feasible and a good fit with the program’s goals, as indicated in the checklist below.

Program Status	Best Practice	Description
X	State Leadership	Establish the state (state energy office) as the source for information on energy performance contracting. Establish savings requirements for state buildings and stipulate that ESPC can be used to meet the requirement.
	Strong Legislative and Gubernatorial Support	Utilize legislative and gubernatorial powers to establish ESPC as a priority for the state agenda
	Consensus Support for State Decision-makers	Establish consensus support among key state decision-makers (legal, procurement, finance)
	Public/Private Partnership	Establish a stakeholder group
	Pre-qualified ESCOs	Pre-qualify ESCOs
	Pre-approved Contracts	Obtain state attorney pre-approval of model contracts
	Project Oversight and Technical Assistance	Ongoing support to facility owners’ ESPC projects
	Education and Outreach	Educate potential end-users in performance contracting processes and benefits
	Program Funding Strategies	Implement a fee-based technical assistance service such that the fees sustain the cost of the program
	Data Collection and Project Tracking	Establish simple tracking guidelines for projects and the program to demonstrate program success through measurable results

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.4: What Does an ESPC program Do?

Measuring Success

The following data and metrics will be used to monitor the program’s success:

- The total dollar value of ESPC projects initiated divided by the cumulative program costs.
- Detailed project information: project name, cost (excluding financing costs), projected guaranteed cost savings, list of measures, square footage, number of buildings, units of energy saved (converted to BTUs), dates/years of critical stages (RFP issued, audit contract executed, performance contract executed, construction completion, measurement and verification reports), actual cost savings achieved.
- Program sum of projects served: sum of costs, sum of guaranteed savings, sum of energy cost savings, sum of energy units (converted to BTUs), number of owners served (total and broken down by sector).



PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 2.9: How Can the Success of a Program be measured?

ENERGY SAVINGS PERFORMANCE CONTRACTING (ESPC)

Insert the ESPC overview from Section 1 of the *Guidelines*. Customize this section for your state.

EDUCATION AND OUTREACH

Marketing Plan

The program developed a marketing plan. Key elements are presented below. (Only summarize key elements here if this document is to be posted. If this document will remain internal, post the entire marketing plan.)

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Chapter 3: Build a Marketing Plan, Define the Audience, Craft the Message.

Leveraging Resources

Following are the key associations and organizations that the program will engage to help reach target audiences and involve as stakeholders in a public/private partnership forum.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 3.4: Leverage Resources
This section includes a list of many national associations and organizations that may have local or state chapters.

ESPC Educational Information

The following materials were developed or will be developed, distributed, and posted on the program's website:

- Program website:
- Appendix C-7: Slideshow – What is ESPC and How Does it Work?
- Appendix C-8: Handout – 5 Steps to Successful Energy Savings Performance Contracting
- Appendix C-11: Handout – What is ESPC?

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 3.5: Reach the Audience
This section includes some pre-developed customizable materials.

Outreach Activities

The following activities are planned:

- Workshops
- Phone conferences
- Training sessions

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 3.5: Reach the Audience
This section includes some pre-developed customizable materials.

PROCESS AND DOCUMENTS

Legislation

Legislation defines how ESPC can be conducted in [REDACTED] (sector). Following is a summary of key components of the legislation. The appendix includes a copy of the statutes.

Summary of Statute # [REDACTED] for [REDACTED] (sector):

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 4.1: Legislation
- [State Legislation on ESPC](#)
This document provides quick links to statutes in each state. It was developed by U.S. DOE in 2013. (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
- [Model State Legislation](#)
ESC and NAESCO developed Model State Legislation documentation, with funding from U.S. DOE. (http://energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice02/Model_EPC_Legislation.pdf)

Consensus

Following is a description of staff members involved in developing consensus to establish the model documents.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 4.2: Consensus
This describes a suggested process for developing consensus in establishing approved processes for procurement and contracting.

Model Documents

The program customized the model documents over the years, starting with a few pioneering states in the 1980s, then being transformed and improved by other states, and continuing in that way to this day. The Energy Services Coalition (ESC), through U.S. Department of Energy (U.S. DOE) funding, captured a model set of documents a decade ago and they became the default standard for states to use as a downloadable template. U.S. DOE recently conducted a round of updates and posted the updated documents at the U.S. DOE Solutions Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html).

The documents were refined to represent the [REDACTED] (state) requirements and program interests. They represent best practices for facility owners to develop ESPC projects. The documents are intended to be customizable to meet the needs of any owner.

OWNER MEMORANDUM OF UNDERSTANDING

A Memorandum of Understanding (MOU) between the program and owners defines clear requirements and guidelines for a participating owner, and establishes the program's authority. This aids the program in making commitments to provide technical assistance.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.1: Owner Memorandum of Understanding
This provides more detail on this step.
 - Appendix D-1: At-A-Glance – Owner Memorandum of Understanding (MOU)
This briefly describes each segment of the model document.
- [Owner Memorandum of Understanding](#) (Facility Owner's Memorandum of Understanding) (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

This document presents the roles and responsibilities of the program and the owner, and was initially developed by the State of Wyoming.

RFP TO SELECT AN ESCO

A process to pre-qualify ESCOs is pending. Until that time, an individual RFP is needed for each owner.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines, Section 4.3.2: RFP to Select an ESCO
This provides more detail on this process step.
- [RFP for Facility Owner to Select an ESCO \(single use\)](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
[\(\[http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\]\(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\)\)](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
This RFP is used by owners to competitively select an ESCO for a specific project.

RFQ TO PRE-QUALIFY ESCOs

ESCOs were (or will be) pre-qualified through a Request for Qualifications (RFQ) and will be eligible to provide services to owners that choose to participate in the ESPC Program. An ESCO list is posted on the program website:

_____.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.3: RFP to Pre-Qualify ESCOs
This provides more detail on this process step.
 - Appendix D-2: At-A-Glance – RFP to Pre-Qualify ESCOs
This briefly describes each segment of the model document along with negotiating items and recommendations for developing an RFP for your state.
- [Model RFQ to Pre-Qualify ESCOs](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html) with evaluation forms.
This RFQ is used by a program to pre-qualify ESCOs.
[\(\[http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\]\(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\)\)](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)

FINAL ESCO SELECTION PROCESS

ESCOs were pre-qualified to provide performance contracting services to program participants. This secondary selection process establishes how an owner can competitively select an ESCO from the pre-qualified pool to meet the needs of the specific project.

The process was developed to follow state procurement rules. A city or school district will need to apply its own procurement rules.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.3.1: Final ESCO Selection Process
This provides more detail about this process step.
 - Appendix D-3: At-A-Glance – Final ESCO Selection

This briefly describes each segment and clause of the model document along with negotiating items and recommendations for developing a final selection process for your state.

- [Secondary/final selection process](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html) and evaluation forms
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
This process and form suggests an RFP is used for an owner to draw from the pre-qualified list of ESCOs to make a final competitive selection.

ESCO BASE CONTRACT FOR PRE-QUALIFIED ESCOS

The program holds a contract with each ESCO that establishes guidelines they must follow to remain pre-qualified.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.3.2: ESCO Base Contract for Pre-Qualified ESCOs
This provides more detail on this step.
 - Appendix D-4: At-A-Glance – ESCO Base Contract (Contract for Pre-Qualified ESCOs) *This briefly describes each segment and clause of the model document along with negotiating items and recommendations for developing an ESCO Base Contract for your state.*
- [ESCO Base Contract](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
This sample contract establishes roles and requirements for pre-qualified ESCOs participating in the state's program.

INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT

This contract for Investment Grade Audit & Project Proposal is the first of two contracts to develop a project with the selected ESCO. The ESCO will complete an Investment Grade Audit to identify and evaluate each potential cost-saving measure with projected energy cost savings and itemized project costs. A measurement and verification plan will be developed at this time to establish how efficiency savings will be verified for each measure. A project proposal will present aggregated measures that can be financed through guaranteed efficiency savings with a projected cash-flow over the financing term. The results of the audit will form the basis for negotiating the Energy Savings Performance Contract to implement the project.

The program developed a model document for use in the state.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.4: Investment Grade Audit and Project Proposal Contract
This provides more detail on this step.
 - Appendix D-5: At-A-Glance – Investment Grade Audit (IGA) and Project Proposal Contract.
This briefly describes each segment and clause of the model document along with negotiating items and recommendations for developing an Investment Grade Audit contract for your state.
- Technical Energy Audit and Project Proposal (Investment Grade Audit Contract)
(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
This document includes the terms of payment and a detailed scope of work.

ENERGY SAVINGS PERFORMANCE CONTRACT

The Energy Savings Performance Contract, sometimes referred to as the Implementation Contract, follows satisfactory completion of the Investment Grade Audit Contract to implement the negotiated projects. The Energy

Savings Performance Contract defines the final agreed upon scope of work, the guarantee, and how efficiency savings will be verified, as well as all associated costs and mutual responsibilities between the ESCO and the owner. The contract also includes the improvement measures, the associated equipment and labor costs, and all guaranteed energy and maintenance efficiency savings, as well as a construction schedule, design parameters, equipment specifications and warranties, and maintenance requirements.

This model contract was customized for use in the state, including legislative requirements and recommendations, as well as changes from discussions with the legal department and the state buildings authority, to meet the needs of the state program and users.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.5: Energy Savings Performance Contract
This provides more detail on this step.
 - Appendix D-6: At-A-Glance – Energy Savings Performance Contract
This briefly describes each segment and clause of the model document along with negotiating items and recommendations for developing an Energy Savings Performance Contract document for your state.
- Energy Performance Contract
http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html
This document addresses all aspects of a performance contract including schedules and appendices to define the project, how savings will be measured, and roles and responsibilities of the ESCO and the owner.

FINANCING SOLICITATION PACKAGE

The financing agreement is a stand-alone agreement, separate from the Energy Savings Performance Contract, between the owner and a financial organization and signed by the owner concurrently with the performance contract. The two agreements are linked through the payment schedules and the ESCO savings guarantee for annual efficiency savings and projected costs to meet or exceed the annual finance payments (plus any other related expenses imposed by the performance contract such as monitoring and verification).

Financing can be accomplished in a number of ways, including using the owner's internal financing processes, using the financing partner the ESCO brings in, through the use of bonds or other funding sources, or through a combination of sources. Financing is typically provided by a financial organization which specializes, or has experience, in performance contracting projects. The financing instrument is typically a tax-exempt, municipal lease-purchase agreement as this instrument delivers the lowest finance rates.

The Financing Solicitation Package is one option if financing isn't otherwise arranged. It enables and authorizes the ESCO to seek competitive financing on behalf of the owner. This arrangement meets the need for competitive procurement of financing, eliminates the owner's need to issue a separate RFP for financing, and positions financing as an integral part of the performance contracting approach, putting the burden of the solicitation process on the ESCO. The ESCO can provide the necessary information to solicit competitive rates from financial institutions. Then the ESCO can evaluate the full package of rates and services from each financial institution and recommend the best package for the institution's consideration and final decision.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines
 - Section 4.3.6: Financing Solicitation Package
This section provides more detail on this step.
 - Appendix D-7: At-A-Glance – Financing Solicitation Package

This document briefly describes each segment and clause of the model document along with negotiating items and recommendations for developing a Financing Solicitation Package for your state.

- Finance Solicitation Package
[\(\[http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\]\(http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html\)\)](http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html)
This includes an RFP to competitively select a financing company and protocols to include in a lease agreement.

OVERSEEING A PROJECT

ESPC involves numerous individual projects under one contract, a very high overall cost (often millions of dollars), and a number of processes involving various specialists (procurement and contracting, project management, financing, efficiency savings verification, long-term maintenance), as well as multiple years of measurement and verification to monitor the performance guarantee. ESPC is also a comprehensive approach involving most of an owner's building portfolio and addressing most electrical, plumbing, and controls systems. The majority of owners will only undergo the process once, so it may not be beneficial for a staff person to climb the steep learning curve. For these reasons, state programs offer direct technical assistance from ESPC experts to guide owners through the process to ensure project success.

Include steps from the following resources that you intend to follow.

PROGRAM RESOURCES

- U.S. DOE ESPC Guidelines: Chapter 5 - Overseeing A Project
This chapter provides extensive detail and many resources for overseeing a project as outlined below.
- Owner Memorandum of Understanding
 - U.S. DOE ESPC Guidelines
 - Section 4.3.1: Owner Memorandum of Understanding Process
This section presents more details on this step.
 - Section 5: Overseeing A Project, 5.1: Owner Memorandum of Understanding
This section presents more details on this step.
 - [Colorado's Standards for Success](http://www.colorado.gov)
[\(<http://www.colorado.gov>\)](http://www.colorado.gov)
This document is an alternative to the MOU – a listing of roles and expectations without a formal signature required.
- Technical Assistance Services
 - U.S. DOE ESPC Guidelines
 - Appendix E-1: Technical Assistance Tasks for Field Representatives (Median-Cost Option)
This document is an outline of technical assistance tasks that a program could consider providing through Field Representatives to assist owners through the process, including the number of hours for each service (median-cost option).
 - Appendix E-2: Sample RFP and Contract to Solicit Field Representatives (Project Facilitators)
This RFP could be used by the Program to hire one or more Project Facilitators to serve the Program's owners, or it can be used for an Owner to solicit a Project Facilitator for the Owner's project.
 - Appendix B-3: RFP and Contract for Project Facilitators
This document is a sample RFP and contract for a self-funded program or an owner to contract with Project Facilitators to provide technical assistance on a project. This was adapted from the RFP issued in 2012 by the State of Louisiana's Department of Administration.
 - Appendix E-3: Project Screening
This document contains a detailed list of items to consider when assessing an owner's potential for technical assistance.
 - Appendix E-4: Sample Feasibility Study

This document is a template for developing a feasibility study including text and suggestions for what to include.

- Project Oversight
 - U.S. DOE ESPC Guidelines
 - Appendix E-5: Project Tracking Log
This document is a template format for logging owner communications overtime.
 - Appendix E-6: Technical Assistance Checklist
This document is a checklist for Field Representatives to track each critical step for technical assistance, adapted from the State of Colorado.
 - [State Project Data Collection Form](http://www.energyservicescoalition.org/Data/Sites/1/documents/resources/tools/practice10/Project_Data.xls)
This spreadsheet was developed by the Energy Services Coalition for project tracking purposes.

APPENDICES

Marketing Plan

Insert your program's marketing plan here.

Legislation

Insert your state's ESPC-related legislation here.

Model Documents

Insert your state's ESPC-related model documents here.

APPENDIX C-11: Handout – What Is ESPC?

BETTER BUILDINGS THROUGH ENERGY SAVINGS PERFORMANCE CONTRACTING (ESPC)

16.1 **If you own or manage a building, we have good news that can save you money . . .**

Energy savings performance contracting (ESPC) is a smart, budget-neutral approach to make building improvements and reduce energy, water and operating costs. Any large building or group of buildings is an ideal candidate for performance contracting, including city, county and state



buildings; schools; hospitals; commercial office buildings; and multifamily facilities.

16.2

16.3

16.4

16.5 **Do you face these problems at your facility?**

- ✓ Old or inefficient equipment.
- ✓ Too many demands on your time and budget.
- ✓ Recurring maintenance problems that consume valuable staff time.



16.6

16.7

16.8

16.9 **If so, here's the good news...**

You can make the energy- and water-saving upgrades you need now – with no up-front capital – and pay for the improvements over time through the resulting efficiency savings, which can be guaranteed.

16.10

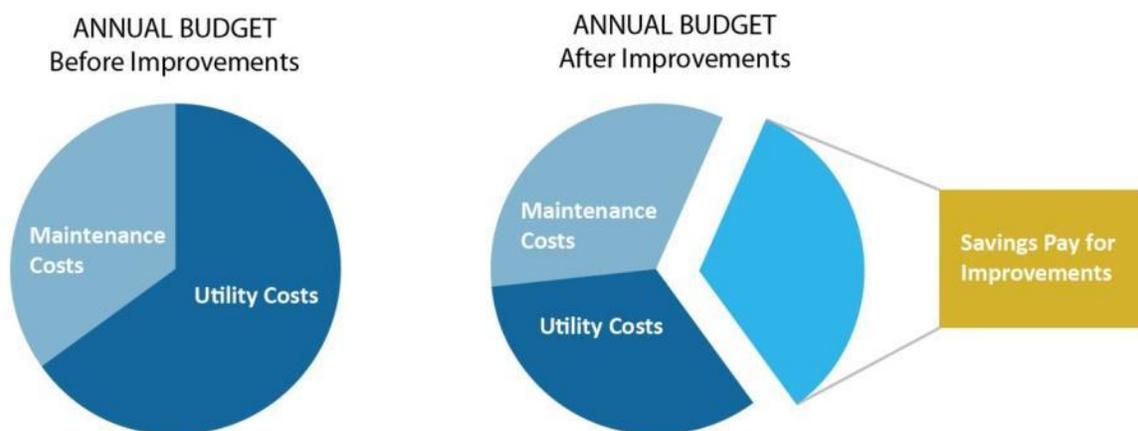
16.11

16.12

16.13

16.14 Here's how it works...

Install the improvements *now* and pay for them through *future* efficiency savings. Financed over approximately 12–20 years, the projected guaranteed savings pay for improvements.



16.15 A qualified energy service company (ESCO) puts the pieces together.



Identify and evaluate energy-saving opportunities



Develop engineering designs and specifications



Manage the project from design to installation to monitoring; monitoring



Educate on financing



Train your staff and provide ongoing maintenance services

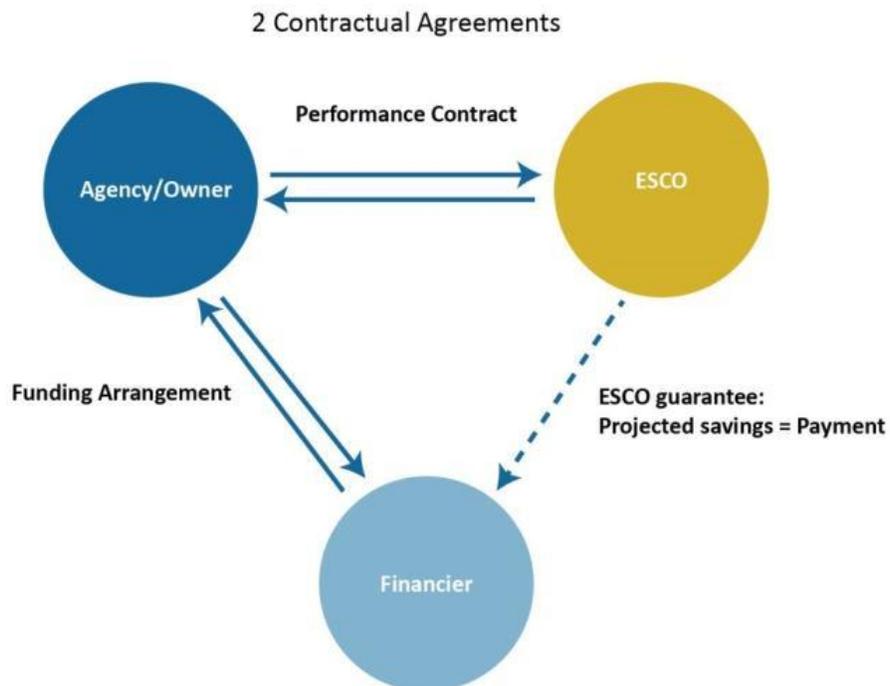


Guarantee performance! Projected efficiency savings will cover project costs

A financing partner completes the picture.

Your ESCO can provide information on financing. (ESCOs do not directly provide financing.)

Two contract agreements are related to the ESCO's guarantee. You will sign an ESPC agreement with the ESCO and a funding or financing agreement with the financial institution. The guarantee of efficiency savings, as projected, delivers savings to meet the payments.



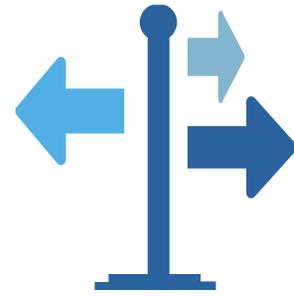
ESCOs can implement many improvements in your facilities.

Any measures that could cut costs in your utility or operational budgets can potentially be part of an ESPC:

- Lighting equipment replacements to cut energy costs and improve lighting quality
- Building automation system upgrades to optimize system performance and occupant comfort
- HVAC system improvements – boilers, chillers, fans, pumps and plant improvements
- Renewable energy systems
- Landscape irrigation and plumbing fixture replacements to reduce water use
- New equipment to reduce maintenance requirements
- Commissioning to trouble-shoot systems
- Utility rate adjustments to reduce the bottom line
- LED traffic and street lighting systems to cut both energy and maintenance costs
- And an endless list of other facility improvements

We're here to get you started...and see you through

Energy savings performance contracting is a partnership between you and the ESCO you select. The state energy office is here to help you get started on a path to success.



Start making tomorrow's improvements today

Have you considered how much it's costing you not to reduce energy consumption at your facility? Performance contracting may be the answer...and it won't cost you a cent to find out.

The state energy office provides tools and resources plus one-on-one support to help you decide if performance contracting is right for you.

Contact us:

Program Name
Contact Name
Website
Phone & Email Address

The many benefits of performance contracting

Better buildings

By updating or replacing equipment that is old and obsolete with newer, more efficient technology, you will have higher-quality systems, fewer breakdowns and reduced maintenance. When building occupants experience improved lighting, better air quality and more comfortable room temperatures, they are likely to be happier and more productive.

A wise investment

ESPC allows you to divert funds that would be spent on energy bills into investments in your buildings. For governments, this means limited budgets can stretch further, putting taxpayers' money where it really counts. For all building owners, more modern, efficient energy systems can increase your property value and improve your building's marketability.



Improvements without sacrifice

ESPC allows you to tackle efficiency projects now even if no funds are available, as dollars that are otherwise wasted are redirected. This means you can upgrade facilities even when faced with budget cuts or competing priorities. In addition, with energy performance contracting, you can tackle multiple energy-efficient projects throughout your facility, rather than doing one project at a time.



Cost savings

Modernized systems and equipment can lower your energy use and associated costs. Many building owners see energy savings of 15 to 35% each year and also reduce their long-term maintenance costs. You keep all the savings once the equipment is paid off, plus any excess savings during the contract term.

Proven technology and expertise

Since its inception in the late 1970s, performance contracting has become a widely accepted and reliable method of financing and implementing energy improvements. Today's ESCOs use industry-standard practices and proven energy-saving technologies. ESCOs have established excellent track records for satisfying their customers. They have a financial incentive to make sure savings are achieved throughout the contract term.

One-stop shopping

Performance contracting offers a streamlined approach to making facility improvements because, with a single contract, you can complete numerous projects. Your ESCO can provide a full range of services from design to construction and ongoing monitoring to ensure that your equipment performs for optimal long-term energy performance.



Frequently Asked Questions

How do I find those energy savings?

By working in partnership with a professional ESCO, you can tap into its expertise to determine which building improvements make the most sense from a comfort, productivity, energy savings and dollar savings perspective.



Can't I do this myself?

Sure, if you have the time, money, and expertise. However, many managers find that an ESCO can put together a complete package of services, saving both time and money. An ESCO can work with you to develop a performance contract that meets your specific needs, such as identifying and evaluating cost-saving opportunities, providing engineering services from design to equipment specifications, ordering and installing equipment, and managing construction of a wide variety of projects. To complete the package, the ESCO can guarantee the projected efficiency savings and help identify funding and financing approaches.



How risky is this for me?

ESCOs provide a performance guarantee. This means that units of energy, water and other commodities are guaranteed. Your due diligence is important so that you recognize how the savings are measured, verified, and applied to your payment over the long financing term. If projected savings don't all materialize, the ESCO is obligated to pay the difference of the projected guaranteed cost savings. In this way, the risk of performance is shifted to the ESCO.

How do I know if energy performance contracting is right for me?

We can help you get started. We have experienced engineers that can assist you in assessing whether energy performance contracting will work for you. We can help you find and contract with an ESCO as well.

APPENDIX D: Chapter 4 – Establish a Process

Appendix D-1: At-A-Glance – Owner Memorandum of Understanding (MOU)

Appendix D-2: At-A-Glance – Request for Proposals (RFP) to Pre-Qualify ESCOs

Appendix D-3: At-A-Glance – Final ESCO Selection

Appendix D-4: At-A-Glance – ESCO Base Contract (Contract for Pre-Qualified ESCOs)

Appendix D-5: At-A-Glance – Investment Grade Audit (IGA) and Project Proposal Contract

Appendix D-6: At-A-Glance – Energy Savings Performance Contract

Appendix D-7: At-A-Glance – Financing Solicitation Package

APPENDIX D-1: At-A-Glance – Owner Memorandum of Understanding (MOU)

An ESPC program that offers technical assistance to owners will develop an Owner Memorandum of Understanding (MOU) to establish roles and responsibilities for the program and owner. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – OWNER MEMORANDUM OF UNDERSTANDING (MOU)
<p>Overview</p> <p>The Big Picture – What does an MOU do?</p> <ul style="list-style-type: none">• Establishes interest and commitment of a facility owner• Establishes commitment by the state program to offer services to the facility owner• Establishes rules of engagement <p>State Role – What does the state do?</p> <ul style="list-style-type: none">• Provides administrative assistance to aid the facility owner through the process by providing and advising on pre-approved contracts and procedures• Provides technical assistance to aid the facility owner in developing and following through with a successful performance contracting project <p>ESCO Role – What does the ESCO do?</p> <ul style="list-style-type: none">• Conducts an audit and implements a performance contracting project• Complies with established processes and legal requirements• Passes an annual evaluation process to determine continued eligibility in pool• Passes a renewal process (contracts are renewed annually with no certainty of continued pre-qualification over the entire term) <p>Facility Owner Role – What does the facility owner do?</p> <ul style="list-style-type: none">• Engages the services of the state program to help ensure success• Ensures the program’s standard processes, technical assistance, and documentation will be used• Provides metrics on project status and results, such as overall cost, savings in units and dollars, emissions reductions, sum of costs, sum of guaranteed savings, sum of energy cost savings, sum of energy units emissions equivalencies, jobs created, and number of information-sharing activities• Markets the state’s program and process• Complies with all requirements stated in the model audit and performance contracts, as well as legislative requirements and codes

**AT-A-GLANCE –
OWNER MEMORANDUM OF UNDERSTANDING (MOU)**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
N/A	Recitals	Establishes that program participants will select an ESCO from the pre-qualified list of ESCOs using the program process.	Note that an MOU is a contract agreement.
CONTRACT			
1	Purpose of Contract	Establishes the role of the program and the agreement for accepting program services.	N/A
2	Term of Contract and Required Approvals	Establishes the effective date and period of the contract.	
3	Consideration	Establishes that the Owner will participate in the program in a good faith effort.	
4	Responsibilities of Owner	Establishes the responsibilities of the owner, including: program participation; the process of selecting an ESCO from the pre-qualified list using the approved process; ensuring appropriate personnel to oversee the project; provide access to buildings; providing facility and utility information; addressing program recommendations; executing the approved contract; making payments to the ESCO per contract terms; making arrangements for project financing; and providing information for measurement and verification (M&V) activities.	Elements could be negotiable if owner does not need all services.
5	Responsibilities of Program	Commits the program to providing services to educate potential participants, provide technical assistance to the Owner to develop the project and procure ESCO services, help develop the procurement and contracting documents, and identify solutions as needed.	Elements could be negotiable if Owner has internal capability and does not need all services.
6	Responsibilities of Contractor	Defines the role of the pre-qualified ESCO participating in the program and stipulates that the contractor will use the approved program documents, comply with requirements, provide the Owner and program with annual reports, etc.	The ESCO requirements are set in the ESCO Base Contract.

APPENDIX D-2: At-A-Glance – Request for Proposals (RFP) to Pre-Qualify ESCOs

An ESPC program often pre-qualifies a pool of ESCOs to streamline the ESCO selection process for owners. The request for proposals (RFP) to pre-qualify ESCOs solicits ESCO responses that can be evaluated to select well-qualified contractors. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – REQUEST FOR PROPOSALS (RFP) TO PRE-QUALIFY ESCOs	
Overview	
The Big Picture – What does the RFP accomplish?	
<ul style="list-style-type: none"> • It is a means to pre-qualify ESCOs • Establishes minimum standards and requirements for ESCO performance 	
How does the RFP streamline the procurement process for owners?	
<ul style="list-style-type: none"> • Eliminates the need for owners to define ESCO capabilities • Shortens the timeline for project development by eliminating the need for owners to initiate an RFP process 	
How does the RFP set the stage for the program?	
<ul style="list-style-type: none"> • Describes the program’s role • Establishes the program’s authority with respect to ESCOs and owners 	

A number of elements can be considered for inclusion in a “best practices” RFP adopted by a state energy office. These RFP elements are listed below.

AT-A-GLANCE – REQUEST FOR PROPOSALS (RFP) TO PRE-QUALIFY ESCOs			
Section	Title	Description & Key Points	Negotiating Items & Recommendations
1	Overview and Background	Program overview, intent, historical background, role of the state, information on how the ESCO will be selected for a project (two-step procurement process with pre-qualification followed by secondary selection process).	Provide the ESCO with a snapshot of the state’s intention, a broader view of the state’s interests, and how to go beyond pre-qualification to final selection for a project.
2	Proposal submittal and selection process	Administrative requirements and processes for ESCOs (proposal submittal information, selection process with schedule).	Customize with your specific procurement requirements.

**AT-A-GLANCE –
REQUEST FOR PROPOSALS (RFP) TO PRE-QUALIFY ESCOs**

3	Scope of Work	Describes the core ESCO services so that potential respondents can assess the ESCO's capabilities.	N/A
Attachments			
A	Base Agreement ESCO Contract	Establishes commitments from ESCOs to abide by state requirements and guidelines. Defines ESCO responsibilities (using model contracts, report data to state, etc.), state responsibilities (market program), and facility owner (select from the pre-qualified list, provide information and access).	Customize the contract.
B	Response to this Request for Proposals	Requirements for ESCO responses including specific qualifications, experience, project history, technical approach, management approach, cost, and pricing.	Include requests for information for any specific capabilities or expertise needed.
C	Final ESCO Selection Process	Establishes means to use the pre-qualified list to select an ESCO for a project. It encourages competition (where pre-qualification is a pass/fail selection).	Ensure this meets procurement requirements. Avoid requesting detailed audits to help make a selection.
D	State statutes on ESPC for state government	Specific legislation and executive orders related to performance contracting in state governments. This background information is critical to assure compliance.	
E	State statutes on ESPC for local government	Specific legislation and executive orders related to performance contracting in local governments. This background information is critical to assure compliance.	
F	Investment Grade Audit and Project Development Contract	Model or pre-approved contract for preliminary review. Respondents are required to comment on the ability to comply with all contract requirements.	Customize with relevant statute or administrative requirements. Get contract pre-approved by the legal department if possible.
G	Energy Savings Performance Contract	Model or pre-approved contract for preliminary review. Respondents are required to comment on the ability to comply with all contract requirements.	Customize with relevant statute or administrative requirements. Get contract pre-approved by the legal department if possible.
H	Financing Bid Package	Included if the owner asks the ESCO to solicit bids from financing companies on the owner's behalf.	If other financing sources are preferred, provide information for the ESCO and eliminate this RFP requirement.

**AT-A-GLANCE –
REQUEST FOR PROPOSALS (RFP) TO PRE-QUALIFY ESCOs**

I	Owner's MOU	Define responsibilities of the facility owner (use pre-qualified list, apply secondary selection process, provide facility information and access, etc.).	Customize contract. Get approval from the legal department.
RFP Element		Description & Key Points	Negotiating Items & Recommendations
Key Elements			
Pre-agreed markups, margins, and fees	Requests maximum markups, margins, and fees for each type of work based on types of buildings.	This step removes the difficult process for facility owners to evaluate cost proposals. It enables downward negotiation on prices for particular projects.	
Measurement & verification (M&V) plan and process	Clearly establishes how M&V will be carried out, with a plan developed as part of the audit contract and a detailed M&V approach laid out for each measure in the performance contract. (This information is included in the audit contract.)		
Self-funded program	If the program plans to be self-funded, give ESCOs advance notice that a small percentage of the cost savings stream may be removed to provide technical services to facility owners in return for a pre-agreed percentage of the guaranteed efficiency savings, once savings are achieved.	Consider a self-funded program. Obtain legal and procurement approval.	
Other Elements			
Supplemental Funding Capability	Establishes means to augment performance contract with utility rebates, grants, operating funds, future funds, etc.	Gives ESCO advance notice of funds to expand a project.	
Measurement & verification oversight; & Commissioning Oversight	Establishes that a third party M&V commissioning oversight contractor will be hired and paid for through a pre-agreed, set-aside portion of guaranteed efficiency savings.	Give ESCOs advance notice that a small percentage of the savings stream may be removed.	
Project management oversight	Establishes that a third party project management contractor will be hired and paid for through a pre-agreed set-aside portion of guaranteed efficiency savings.	Give ESCOs advance notice that a small percentage of the savings stream may be removed	
Incorporate Leadership in Energy & Environmental Design (LEED) for Existing Buildings (EB)	Facility owner would use LEED-EB as a project management tool if ESCO sets up the process.	Give ESCOs advance notice and inquire about their experience. Achieve sustained savings and better monitoring and oversight at project level.	

APPENDIX D-3: At-A-Glance – Final ESCO Selection

Owners need a final ESCO selection process to select an ESCO from the ESPC program’s pre-qualified pool of contractors. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – FINAL ESCO SELECTION FROM ESCO POOL OF PRE-QUALIFIED ESCOs
<p>Overview</p> <p>The Big Picture – What happens during the final ESCO selection?</p> <ul style="list-style-type: none"> • An owner competitively selects an ESCO from a pre-qualified list of contractors • The owner focuses on finding an ESCO best suited for the owner’s facilities • ESCOs are under contract with the program to use standard contracts and comply with requirements and guidelines <p>Minimum Selection Criteria</p> <ul style="list-style-type: none"> • Eliminate the need for owners to define ESCO capabilities

AT-A-GLANCE – FINAL ESCO SELECTION FROM ESCO POOL OF PRE-QUALIFIED ESCOs		
Title	Description & Key Points	Negotiating Items & Recommendations
Final ESCO Selection Process – Owner Guidelines	Identify at least three ESCOs from the pre-qualified list for further consideration. Request additional submittal information from the three ESCOs, review, and invite the ESCOs to an interview. Select a finalist.	A minimum level of competition is recommended. Avoid an audit competition.
Technical Facility Profile	Provide information to the three ESCOs about the facilities – include a building list with square footage, utility costs from the past three years, future plans, and other information as available.	Provide information as available. If available, it will help the selected ESCO in the later audit stage. If the information is not available, proceed with the selection process.

**AT-A-GLANCE –
FINAL ESCO SELECTION FROM ESCO POOL OF PRE-QUALIFIED ESCOs**

Request Additional Information

Section	Title	Description & Key Points	Negotiating Items & Recommendations
1.0	Management Approach	Inquire about project management and coordination, similar market sector experience/expertise, and project personnel and staffing.	Request added information specific to your project.
2.0	Costs	Inquire about costing for your project (markups, overhead, and profit margins, fees).	The ESPC program established maximum costs (markups, overhead and profit margins, and fees) for the ESCO. The maximum costs generally apply to average or small/marginal projects and may not relate to your project. This is an opportunity to further negotiate these rates for your project.

APPENDIX D-4: At-A-Glance – ESCO Base Contract (Contract for Pre-Qualified ESCOs)

An ESCO Base Contract is an agreement between the ESPC program and pre-qualified ESCOs. It establishes the rules of engagement for the ESCO's participation with the ESPC program's owners. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – ESCO BASE CONTRACT (CONTRACT FOR PRE-QUALIFIED ESCOs)
<p>Overview</p> <p>The Big Picture – What does the ESCO Base Contract do?</p> <ul style="list-style-type: none">• It is an agreement for each ESCO in the pre-qualified pool• Establishes rules of engagement for the ESCO <p>How do pre-qualified ESCOs maintain their status?</p> <ul style="list-style-type: none">• The term of pre-qualification is five years• Pre-qualified ESCOs undergo an annual evaluation process to determine continued eligibility• Pre-qualified ESCOs apply for renewal annually with no certainty of continued pre-qualification over the entire term <p>How do ESCOs participate in the state's performance contracting program?</p> <ul style="list-style-type: none">• Ensure the program's standard processes, technical assistance, and documentation will be used• Provide metrics on project status and results (overall cost, savings in units and dollars, emissions reductions, etc.)• Market the state's program and process• Comply with all requirements stated in the model audit and performance contracts, as well as legislative requirements and codes <p>How do ESCOs seek selection for a project?</p> <ul style="list-style-type: none">• Participate in the defined state process requiring competitive selection• Market to facility owners as part of the state's program <p>How does the ESCO Base Contract affect pricing?</p> <ul style="list-style-type: none">• Maximum markups, margins and fees are stated (reiterated from the RFP response)• "Open book" pricing is required

**AT-A-GLANCE –
ESCO BASE CONTRACT (CONTRACT FOR PRE-QUALIFIED ESCOs)**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
N/A	Recitals	Establish rationale for contract, establish contract authority, define procurement process leading up to the contract, etc.	
CONTRACT			
1	Entire Agreement	Identifies the other documents that are part of this contract. The RFP to pre-qualify ESCOs and the ESCO’s response to the RFP provide background information that led to this contract. Other documents are required for use in project development – Secondary ESCO Selection Process, Investment Grade Audit Contract, Energy Savings Performance Contract, Financing Bid Package, and any owner MOU.	
2	Purpose of Contract	Grants ESCO the ability to participate in the program and ensures compliance with the program’s processes, procedures, and documentation.	
3	Term of Contract, Renewals, Performance Review, Disqualification	Establishes an effective starting date. Establishes a renewal process with the option to renew each fiscal year. Establishes a maximum contract term of five years (with four potential renewals). Establishes an annual review process regarding compliance with guidelines and requirements. Establishes disqualification in the event the ESCO is found non-compliant.	
4	Responsibilities of ESCO	Describes responsibilities related to marketing, preliminary project evaluation, investment grade audit process, energy savings performance contract process, and through the performance period.	
5	Responsibilities of the program and owner	Describes the program’s commitments on marketing, interaction with the owners, providing facilitation support, and providing technical assistance to owners throughout the process. Describes the owner’s responsibility, as established by the program, to select from the pre-qualified ESCOs and commit to developing an oversight team.	

**AT-A-GLANCE –
ESCO BASE CONTRACT (CONTRACT FOR PRE-QUALIFIED ESCOs)**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
ATTACHMENTS			
1	Cost and Pricing	This section repeats the ESCO’s response to the RFP on maximum markups, margins, and fees (or states negotiated rates). These rates will be the maximum rates used on all projects. Owners and ESCOs have the opportunity to negotiate downward. This section also reiterates the “open book” pricing policy, which enables reviewers to confirm that maximum values were applied.	There may be an opportunity to negotiate maximum rates with the ESCO, or the ESCO may want to provide lower rates in order to remain competitive. Check with your procurement office on this protocol.
2	Annual Renewal Option Letter	This letter sets the stage for approving annual renewals.	Annual renewals are subject to performance.

APPENDIX D-5: At-A-Glance – Investment Grade Audit (IGA) and Project Proposal Contract

An Investment Grade Audit (IGA) and Project Proposal Contract directs the ESCO to identify, evaluate and present a recommended package of measures with associated efficiency savings and projected costs. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT
<p>Overview</p> <p>The Big Picture – What is an investment grade audit and project proposal contract?</p> <ul style="list-style-type: none">• A stand-alone contract to identify a package of measures that could be implemented through an energy performance contract in which efficiency savings pay for the cost of the entire project• Intended as the preliminary step that will be followed by a performance contract with the same provider to implement the projects as further negotiated in the performance contract <p>Cost of Audit</p> <ul style="list-style-type: none">• The cost of the audit is based on the square footage to be audited as well as the type of facility and the complexity of the energy-using systems• Cost of the audit contract can be rolled-into the energy performance contract and paid through the guaranteed efficiency savings just like other measures• If the ESCO cannot identify projects that meet the owner’s pre-established financial guidelines, typically, there will be no cost for the audit (need to review negotiated terms) <p>Setting the Guidelines</p> <ul style="list-style-type: none">• The audit contract further establishes guidelines for the project on what is acceptable to the owner (ideally this should be done during the RFP stage): maximum financing term, eligible revenue streams, guarantee requirements, etc.• A baseline of energy use is established as a benchmark for determining savings after the retrofits.• Maximum markups and fees to be charged by the ESCO are itemized• Measurement and verification standards are presented and a measurement and verification plan is required at this stage as needed. Measurements are best taken at the audit stage• A commissioning plan is also laid out <p>Identifying Potential Projects</p> <ul style="list-style-type: none">• The ESCO will identify potential projects based on opportunities to achieve efficiency and cost savings and meet the owner’s needs• An iterative process between the ESCO and the owner is critical to establishing the potential projects <p>Scoping Out a Performance Contracting Project</p> <ul style="list-style-type: none">• A package of retrofit measures will be presented in terms of projected annual guaranteed efficiency savings that meet or exceed annual financing payments

AT-A-GLANCE – INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT			
Section	Title	Description & Key Points	Negotiating Items & Recommendations
N/A	Recitals	Establish rationale for project, establish contract authority, define procurement process leading up to the contract, etc.	N/A
CONTRACT			
1	Contract	ESCO agrees to perform a Technical Energy Audit and to provide a proposal with a package of measures. The contract establishes a timeframe for the ESCO to complete audit, directs owner to assist, and instructs ESCO to diligently assess validity of information.	N/A
2. Compensation to ESCO			
2.a	Basis and Maximum Amount	Establishes maximum audit cost (based on square footage). Owner will only pay for square footage actually audited.	Maximum is typically established in RFP response; cost can be negotiated when scope and facility size differ from initial proposal.
1.3	Payment through Performance Contract	Payment for the audit will be deferred and treated as a cost of the performance contract, provided the performance contract is signed in a timely manner.	Owner can pay for audit up-front if desired, with the benefit of expanding the scope of the performance contracting projects.
1.4	Project with Insufficient Cost Savings	The ESCO commits that there will be no cost to the Owner for the audit in the event that the proposed scope of work does not meet the owner’s pre-established guidelines. (It is the ESCO’s responsibility to recognize if a project can be developed such that eligible efficiency savings pay for the total cost over a maximum financing term.)	
3. Scope of Work – See Exhibit A			
4. Termination			
	Termination for Default/Cause	Termination for default/cause, termination for convenience, termination in the event of non-appropriation of funds.	
5. Insurance			

**AT-A-GLANCE –
INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
	Insurance	ESCO liability, property damage and workmen’s compensation insurance, and automobile liability.	
6. Energy Savings Performance Contract			
	Energy Savings Performance Contract	The intent of the audit contract is for the owner and the ESCO to proceed with an Energy Performance Contract. However, the owner has the right to discontinue a performance contract.	It is not advised to follow the audit contract while ESCOs are in competition for the performance contract work. Since the ESCO guarantees the efficiency savings, it is critical for the ESCO to do the audit work that establishes the guaranteed performance.
7. Extent of Agreement			
	Extent of Agreement	Establishes that attachments are an integral part of the contract.	
8. Term			
		Establishes the effective date of contract execution and the timeframe to conduct the audit. The audit contract term ends after signing the Notice of Acceptance.	
9. Order of Precedence			
10. Owner’s Special Provisions			
		Owner’s boilerplate contract terms.	
Exhibit A – Scope of Work			
a.	Process	Establishes an interactive process between the owner and the ESCO to identify potential measures and a meeting of the minds on what measures the owner wants to implement.	Actively participate in planning and interim meetings throughout the audit process to ensure a meeting of minds on desired measures.
b.	Scope Guidelines and Requirements	Establishes maximum acceptable financing term, confirms that the guarantee is on an annual basis (rather than averaged over the full term), explains that the owner may reserve some guaranteed efficiency savings to cover oversight, and explains that excess efficiency savings in any year will apply only	All of these items need to be fully considered by the owner and in collaboration with the ESCO.

**AT-A-GLANCE –
INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
		to past years' shortfalls. Identifies eligible revenue streams (energy/water plus option of material/commodity savings such as lamp/ballast replacements, maintenance contracts when eliminated, etc.), escalation rates to apply to future years' savings, and which ESCO markups can be used.	
c.	Data and Background Information from Owner	Lists information that the owner will provide to the ESCO, as available (square footage, utility invoices, occupancy use, drawings, and maintenance information).	
d.	Identify Potential Measures	Describes level of diligence ESCO is to use in collecting background information to make decisions on potential retrofits, including: interviewing the facility manager, surveying major equipment, and developing a preliminary list of potential measures.	
e.	Establish base year consumption	ESCO will examine three years of utility bills to establish a baseline that will be the benchmark for measuring post-retrofit efficiency savings. This step is critical for measuring and verifying the efficiency savings guarantee.	
f.	Develop a preliminary analysis of measures	ESCO will prepare a preliminary recommendation of retrofits with a description of measures and associated efficiency savings.	
g.	Meeting on Preliminary Findings	Discussion for meeting of the minds.	Conduct a rigorous review and communicate any concerns, etc.
h.	Analyze efficiency savings and costs for each measure	ESCO will conduct a thorough analysis of savings for each measure.	
i.	Draft technical energy audit report	Provides an outline for the audit, indicating the level of detailed information to be provided.	
j.	Meeting	ESCO will meet with owner to review recommendations.	
k.	Revise audit	ESCO will revise audit based on owner's comments.	

AT-A-GLANCE – INVESTMENT GRADE AUDIT AND PROJECT PROPOSAL CONTRACT			
Section	Title	Description & Key Points	Negotiating Items & Recommendations
I.	Prepare an Energy Savings Performance Contract Proposal (Term Sheet)	ESCO will present a package of measures showing the financial terms and guarantee.	
Exhibit B – Notice of Acceptance of Technical Energy Audit Report			
	Notice of Acceptance of Technical Energy Audit Report	This is a formal notice where the owner accepts the Technical Energy Audit Report.	Details can be further negotiated in development of the Energy Performance Contract.
Exhibit C – Guidelines for Draft Measurement and Verification Plan			
	Monitoring and Verification for Performance Contracts	This is an overview of measurement and verification with some details on how to apply methodologies from the <i>International Performance and Measurement Protocol</i> to particular retrofits.	
Exhibit D – Cost and Pricing			
	Markups	The ESCO will provide markups on equipment and materials, as well as subcontractor labor and materials.	
	Margins	The ESCO will provide the percentage margin (not markup) on overhead and profit.	
	Fees	The ESCO will provide a maximum cost for the audit on a cost per square foot basis, and identify and describe other costs such as design, permits, bonds, project management, commissioning, training, measurement and verification, warranty service, maintenance, etc.	
	Contingency	The ESCO will describe how a contingency budget is determined and how it is used.	

APPENDIX D-6: At-A-Glance – Energy Savings Performance Contract

The Energy Savings Performance Contract is the implementation contract to install the measures and guarantee the savings. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – ENERGY SAVINGS PERFORMANCE CONTRACT

Overview

The Big Picture – What is an energy savings performance contract?

- Construction and installation contract to implement the projects identified (and later negotiated) in the investment grade audit report
- Long-term contract to monitor performance and guarantee savings
- Guaranteed efficiency savings are established, typically to meet the annual lease-purchase payments plus any additional annual fees related to the project
- A financing agreement with a financial institution is signed at the same time, unless other funding arrangements are made

Documentation – What is included in an energy savings performance contract?

Savings Guarantee

- Energy and water efficiency savings guarantees
- Baseline energy consumption
- Efficiency savings measurement and verification plan; methodology to adjust baseline

Payments and Schedule

- Final project cost and project cash flow analysis
- Financing agreement and payment schedule
- Compensation to ESCO for annual services

Audit and Construction Phase

- Description of project sites
- Equipment to be installed by ESCO
- Construction and installation schedule
- Systems start-up and commissioning; operating parameters of installed equipment
- Standards of comfort
- ESCO's training responsibilities

Post-Construction

- ESCO's maintenance responsibilities
- Owner's maintenance responsibilities
- Facility maintenance checklist

Administration

- Annual reporting requirements

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

- Annual dispute resolution procedures

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
N/A	Recitals	Establishes rationale for project, establishes contract authority, defines procurement process leading up to the contract, etc.	N/A
DEFINITIONS, SCHEDULES, EXHIBITS & APPENDICES			
1.1	Definitions	Defines key words and phrases	N/A
1.2	Investment Grade Audit & Project Proposal	Establishes approval and acceptance of audit report and requires a Certificate of Acceptance as an attachment.	If list of measures is not finalized, add language to contract.
1.3	Schedules, Exhibits & Appendices	List of schedules, exhibits, and appendices for easy reference.	Add schedules as needed to provide clear documentation for any aspect of the project.
1.4	Other Documents	Includes the original RFP and the selected ESCO's proposal as part of the contract, and calls for the Investment Grade Audit to be included as an exhibit.	For any discrepancy between the audit and this contract and its technical schedules, the contract governs.
PAYMENTS AND SCHEDULES			
Article 2. Purchase and Sale; Commencement Date and Terms; Interim Period			
2.1	Purchase & Sale	The ESCO receives 100% of the contract sum. During the construction (interim) period, the ESCO can draw down payments from the escrow account based on the percentage of work completed and approved.	Require a percentage retained until completion/ approval. Sign Certificate of Acceptance before the sale is 100% transferred.
2.2	Commencement Date	Establishes the beginning date for the guarantee period and any post-installation payments (monitoring, maintenance). Commencement date is dependent on finalization of schedules, inspection, and Certificate of Acceptance. This date may need to be adjusted to accommodate fiscal year appropriations/budgeting.	Set as month after Certificate of Acceptance and all schedules are finalized. Set up financing payments to begin on/after commencement date. Consider fiscal year impacts.

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Section	Title	Description & Key Points	Negotiating Items & Recommendations
2.3	Term of Contract; Interim Period	Term of Contract is defined in years, beginning on the Commencement Date. Prior to the Term, during the Interim (construction) period, savings begin to accrue and are retained by the owner unless otherwise negotiated.	Consider application of savings achieved during the interim period and the associated measurement protocol.
Article 3. Savings Guarantee; Annual Reconciliation; Payments to ESCO			
3.1	Energy & Cost Savings Guarantee	Establishes an annual guarantee to cover annual payments (principle and interest, lease payment, and ESCO fees).	Ensure cost guarantee covers annual payments and any monitoring and maintenance fees.
3.2	Annual Review & Reimbursement Reconciliation	Year-end review and reconciliation of actual achieved efficiency savings related to savings guarantee. The ESCO will make up for shortfalls per the guarantee. The ESCO may be reimbursed for excess savings in subsequent years. No excess savings will be credited to future shortfalls.	Ensure that the receipt of make-up funds from the ESCO's guarantee is available in the time period needed.
3.3	ESCO Compensation and Fees	Ensures that the efficiency savings guarantee covers all annual project financing costs and all annual fees.	
3.4	Billing Information Procedure	Establishes frequency of invoices. Establishes time period for each step: <ul style="list-style-type: none"> • Owner provides energy bills to ESCO, • ESCO calculates savings per agreed verification protocol, and • ESCO invoices the owner. 	Determine time for each step and set up a process to provide utility bills and respond in a timely manner.
3.5	Payment	Establishes time to approve invoice and make payment.	Establish a reasonable amount of time to process ESCO invoices.
3.6	Effective Date of Payment Obligation	ESCO fees for monitoring and maintenance are not due until the Certificate of Acceptance is signed.	
3.7	Open Book Pricing	This section establishes that the ESCO will fully disclose all costs, provide access to records for all labor and material costs, and make them available for three years beyond final payment.	
Article 4. Fiscal Funding			

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
4.1	Non-appropriation of Funds	Describes owner protection in the event of non-appropriation of funds, which would terminate contract with no penalty (for those buildings/projects affected). This is standard for government, and generally accepted by ESCOs who consider it unlikely that utility allocations will be withheld (considered the cost of doing business with the government).	
4.2	Non-substitution	In the case of non-appropriation of funds or owner default, this section establishes that the owner cannot secure other funding for one year following contract termination.	
AUDIT AND CONSTRUCTION PHASE			
Article 5. Energy Usage Records and Data			
5.0	Energy Usage Records and Data	Ensures the ESCO has access to data (energy use, facility operations, occupancy, prior audits, etc.) for at least 24 months. This step helps establish an accurate baseline.	Ensure 24 months of data, but 36 months of data is desired. Commit to providing quality data for an accurate baseline.
Article 6. Location and Access			
6.0	Location and Access	Owner is required to provide protected space for installation and operation of equipment. ESCO is granted access for routine and emergency operations.	Identify and secure a space and provide for access.
Article 7. Permits and Approvals; Coordination			
7.1	Permits and Approvals	Requires ESCO to comply with all codes, pay for all permits, and provide permit/license to owner to do the work. Owner agrees to assist.	Identify codes and other requirements. Assist with obtaining permits/approvals.
7.2	Coordination During Installation	Owner and ESCO will coordinate installation to not interfere with owner’s business. Where interference is necessary, ESCO must obtain permission.	Identify whether any revenue-producing activity will be impacted and negotiate for collection of damages.
Article 8. Construction Schedule and Equipment Installation; Approval			
8.1	Construction Schedule; Equipment Installation	Refers to the attached Construction and Equipment Installation Schedule that was established with consideration for owners’ scheduling needs.	Consider if a separate construction contract is necessary.

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
8.2	Systems Startup and Equipment Commissioning	Requires ESCO to do performance testing and verification on each element and each system to ensure proper operation, per the attached Commissioning Plan Schedule - prior to Certificate of Acceptance and after notification to owner. ESCO shall correct deficiencies.	Ensure compliance with Commissioning Plan and manufacturer startup information, participate in testing, and identify any post-acceptance testing required.
Article 9. Equipment Warranties			
	Equipment Warranties	Requires new equipment with minimum one-year warranties on parts and performance; requires only new warranty replacement equipment, and requires function for one year. Establishes the ESCO's responsibility to ensure warranties are met and relieves ESCO of maintenance responsibility after the warranty period.	Handle maintenance after the warranty or first-year period.
Article 10. Standards of Comfort			
	Standards of Comfort	ESCO is required to meet standards of comfort identified in the attached schedule for the contract term. Standards are negotiated to reflect realistic ranges of heating, cooling, water temperatures, lighting levels, etc.	Establish comfort ranges; ensure full documentation in schedule.
Article 11. Environmental Requirements			
11.1	Excluded Material and Activities	The ESCO is not responsible for identifying, handling, or working on any hazardous materials it may encounter. The ESCO will cease work and notify the owner if hazardous material is found. The owner will be responsible for any corrective action it deems necessary. This discovery is not grounds for default. The ESCO is responsible for any hazardous materials related to equipment it brings to the site.	Provide any studies or inspections related to hazardous waste that could aid decision-making early on.
11.2	Polychlorinated Biphenyl (PCB) Ballasts; Mercury Lamps	The ESCO is required to have an agreement with an approved ballast disposal firm and approved lamp recycling firm to properly handle, transport, and recycle/incinerate these products. The owner must sign a manifest of ownership.	Aid in site handling as instructed, and agree to signing manifest of ownership.
Article 12. Training by ESCO			

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
	Training by ESCO	The ESCO generally trains facility personnel prior to the Certificate of Acceptance and may continue training thereafter, particularly when equipment is altered. Training hours and schedule should be documented in the attached schedule and charges for unscheduled training should be noted.	Assess training needs.
POST-CONSTRUCTION PHASE			
Article 13. Equipment Service			
13.1	Actions by ESCO	Maintenance and service responsibilities of both the ESCO and owner are specified in the attached schedule. When the owner is responsible for causing additional maintenance or repair to the equipment, the ESCO will charge the owner accordingly.	Conduct maintenance as agreed in the schedule.
13.2	Malfunctions and Emergencies	The owner is required to notify the ESCO of any situation that could impact the performance of the equipment. If the owner fails to communicate an occurrence to the ESCO, it will be treated as a Material Change and the baseline will be adjusted.	Exercise due diligence.
13.3	Actions by Owner	The owner may not make any changes to the operation and maintenance of equipment without prior written approval of the ESCO, unless in an emergency or if the owner obtains written exemptions. The owner will follow emergency instructions.	Maintain the site in good repair and protect portions of the site that affect the operation and maintenance of equipment.
Article 14. Modification, Upgrade or Alteration of Equipment			
14.1	Modification of Equipment	The owner will not alter equipment without consent of the ESCO if it will change or impair functions.	
14.2	Upgrade or Alteration of Equipment	Describes the terms and conditions under which ESCO may make changes to equipment, operating procedures, or energy-saving actions. The owner needs to approve ESCO changes. The ESCO has the right to make changes to achieve guaranteed efficiency savings, and the owner shall not unreasonably withhold approval. Any replaced equipment must be new and achieve the same or greater efficiency savings. For computer software, licensing provisions apply.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
Article 15. Material Changes			
15.1	Material Change Defined	Any condition other than weather that affects building energy use by more than two to five percent (negotiated), such as hours of operation, occupancy, use, etc.	Negotiate percent change when Material Change applies.
15.2	Reported Material Changes; Notice by Owner	Requires owner to notify ESCO of any planned changes that would impact consumption by more than two to five percent.	
15.3	Other Adjustments	If all building conditions and operations stay the same, energy use will not vary more than above negotiated percentage. If the energy use varies above the negotiated percentage, the ESCO will report findings and work with the owner on any needed adjustments to the baseline. Any disputes will be resolved per attached schedule.	
Article 16. Performance by ESCO			
16.1	Corrective Action; Accuracy of the Services	Directs the ESCO to protect the site and repair any damages to the original condition, and to absorb the costs. The ESCO remains responsible for professional and technical accuracy of all services performed.	Review ESCO's work and direct ESCO to take needed actions.
16.2	Annual Reporting Requirements; Annual ENERGY STAR Rating	At the end of each annual guarantee period, the ESCO will submit a report per the attached schedule. The ESCO will also provide a 1 – 100 ENERGY STAR score for each facility.	Establish desired reporting criteria.
Article 17. Ownership of Certain Proprietary Rights; Existing Equipment			
17.1	Ownership of Certain Proprietary Property Rights	Addresses ESCO's property rights over software (energy management controls system), granting the owner license to use and operate the system without violating the ESCO's proprietary rights.	
17.2	Ownership of Existing Equipment	The owner retains ownership of all existing equipment and the ESCO will notify the owner of any equipment to be replaced. The ESCO is responsible for all equipment/material disposal (except hazardous materials). The owner will designate a storage site.	
Article 18. Property/Casualty/Insurance; Indemnification			

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
18		Owner’s requirements for insurance and indemnification. Example language is provided for insurance, damages to equipment or property, indemnification, and liabilities.	Provide standard requirements for insurance and indemnification.
Article 19. Conditions Beyond Control of the Parties			
19	Conditions Beyond Control of the Parties	Owner’s standard contract language.	
Article 20. Events of Default			
20.1	Events of Default by Owner	Addresses failure to pay the ESCO, owner’s material failure to comply with contract, and false or misleading representation.	
20.2	Events of Default by ESCO	Addresses standards of comfort, if not corrected, false or misleading representation or warranty, failure to install equipment or comply with contract, lien upon the equipment by any subcontractor of ESCO, ESCO bankruptcy, and failure to pay owner.	
Article 21. Remedies Upon Default			
21.1	Remedies Upon Default by Owner		
21.2	Remedies Upon Default by ESCO		
Article 22. Assignment			
22.1	Assignment by ESCO	ESCO must not transfer the contract to another ESCO without the owner’s approval. Any ESCO assigned to the contract must fully comply with all terms and conditions. Both the ESCO and assignee remain contractually liable for fulfilling the ESCO’s obligations.	
22.2	Assignment by Owner	The owner is allowed to transfer or assign the contract to a new building owner, and remains responsible to the ESCO for the owner’s obligations per the contract.	
Article 23. Representations and Warranties			
23	Representations and Warranties	Provides the owner’s boilerplate provisions. Each party has the requisite authority and ability to enter into this contract.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
Article 24. Additional Representations of the Parties			
24	Additional Representations of the Parties	Addresses areas specific to the performance contract. The owner certifies it will provide energy-related data and declares no leases or service contracts related to equipment or servicing of pre-existing equipment. The ESCO certifies its licenses, insurances, bonds, and financial ability to complete project and meet performance expectations. The ESCO also confirms that all equipment will meet functional design tests and that the ESCO will provide all related documentation.	
Article 25. Miscellaneous Documentation Provisions			
25.1	Waiver of Liens, Construction Performance and Payment Bonds, Labor and Material Payment Bonds	Refers to bonds presented in attached exhibits.	
25.2	Further Documents	Both parties will provide documents necessary to affect contract provisions.	
25.3	Owner's Responsibilities	Both the ESCO and the owner are protected through a method for the ESCO to supervise the owner's compliance with routine and preventive maintenance activities performed by the owner. A checklist will be developed for newly installed and pre-existing equipment.	
25.4	Waiver of Liens	The ESCO will provide a Waiver of Liens from each vendor, including the material manufacturer and laborer in supply, as well as installation and servicing of each piece of equipment.	
Article 26. Conflicts of Interest			
26	Conflicts of Interest	Confirms that neither party – employee nor agent – has a conflict of interest.	
Article 27. Complete Contract			
27	Complete Contract	The executed contract with its attachments is complete and may not be amended except by written contract.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
Article 28. Applicable Law			
28	Applicable Law	Laws of the state and jurisdiction apply.	
Article 29. Interpretation of Contract			
29	Interpretation of Contract	The owner has authority to determine questions of fact in relation to interpretation of the contract, subject to dispute resolution procedures in the attached schedule.	
Article 30. Notice			
30	Notice		
SCHEDULES			
Savings Guarantee			
A	Savings Guarantee	Fully describes guarantee – units of energy to be saved for the contract term and annual reconciliation of achieved vs. guaranteed efficiency savings.	
B	Baseline Energy Consumption; Methodology to Adjust Baseline	Stipulates the yardstick by which all efficiency savings will be measured. This section includes methodology and supporting documentation to calculate the baseline, including unit consumption and current utility rates for each fuel type, and other savings (material cost savings from lamps, ballasts, filters, savings from eliminating outside maintenance contracts, etc.).	
C	Savings Measurement and Verification Plan; Post-Retrofit MYV Plan; Annual M&V Reporting Requirements	Describes energy savings measurement, monitoring, and calculation procedures to verify and compute efficiency savings. Includes method to compare the level of energy that would have been consumed without the project (baseline) against the amount of energy that was actually consumed during the period. Methods include engineered calculations, metering, equipment run-times, and pre- and post-installation measurements described explicitly for all equipment installed. Provides summary of project with energy, water, and operational efficiency savings (\$ and units) for the year. Includes emissions reductions, ENERGY STAR 1 – 100 score, etc. Template provided.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
Payments and Schedule			
H	Final Project Cost & Project Cash Flow Analysis	Spreadsheet depiction of expected financial performance of the project through the entire contract term. Clearly identifies all financial components of the project – interest rates, fuel prices, escalation rates, guaranteed efficiency savings and associated costs, ESCO compensation, cash-flow projections, and projected Net Present Value of any cumulative positive cash flow benefits to owner. Cost savings projections are clearly delineated by utility/ fuel type and identify ongoing annual service fees. Project cost breakdowns identify all costs (labor, subcontractor, materials and equipment, permits, insurance, markups, overhead and profit, etc.).	
I	Financing Agreement and Payment Schedule	Copy of the project financing agreement or terms and conditions of the financing vehicle used, including amortization and payment schedules and the progress payment disbursement schedule to pay the ESCO during the interim (construction) period for the portion of work completed.	
J	Compensation to ESCO for Annual Services	Amount and frequency of any payments to the ESCO for maintenance, monitoring, or other services negotiated. Includes how compensation is calculated, how annual inflation is handled, hourly fees, etc.	
K	Rebates, Incentives and Grants	Identifies amounts of other funding sources that contribute to project cost.	
Design and Construction Phase			
Q	Description of Project Site(s)	Basic information on condition of site at the time of contract execution, including facility square footage, building construction, use, occupancy, hours of operation, special conditions, etc. Identifies what equipment was in place and how it was configured. This step is important to establishing an accurate baseline and future efficiency savings measurements.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
R	Equipment to be Installed by ESCO	Identifies newly installed equipment including manufacturer, quantity, location and warranties, and describes any modifications made to existing equipment.	
S	Construction and Installation Schedule	Timetables and milestones for project contraction and installation. Also includes documentation of required insurance, subcontractor lists, etc.	
T	Systems Start-Up and Commissioning; Operating Parameters of Installed Equipment	Specifies performance testing procedures for start-up and commissioning installed equipment and the total system, including temperature setbacks, equipment runtimes, load controlling specifications, etc. Also provides documentation for the owner's attendance at testing and approval.	
U	Standards of Comfort	Dictates standards of comfort to be maintained for heating, cooling, lighting, domestic water, humidity, and any special conductions.	
V	ESCO's Training Responsibilities	Describes the ESCO's training program with session title, hours, and schedule for facility staff. Includes any ongoing training, commitments for new staff, software upgrades, and associated training fees for training beyond contract commitments.	
Post-Construction			
BB	ESCO's Maintenance Responsibilities	ESCO's specific operations and maintenance responsibilities, including time intervals for conducting stated activities.	
CC	Owner's Maintenance Responsibilities	Owner's operation and maintenance responsibilities.	
DD	Facility Maintenance Checklist	Checklist for the owner to report its compliance on maintenance procedures to ESCO. Includes a simple list of tasks and a schedule.	
Administration			
JJ	Annual Dispute Resolution Procedures	Describes methods to resolve disputes or claims related to the contract or construction, including good faith efforts and alternatives to costly litigation.	

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
Optional Schedules			
	Pre-Existing Service Contracts	Information about pre-existing service contracts – scope, cost, and schedule. When the ESCO is credited with maintenance cost savings for taking over existing service contracts, this section helps to track the ESCO’s performance.	Consider including in a schedule above.
	Energy Savings Projections	Projected efficiency savings in units for each year of the contract, for each measure in each facility.	Consider including in a schedule above.
	Facility Changes Checklist	Provides means for the owner to notify the ESCO of any facility changes that could impact energy use.	Consider including in a schedule above.
	Current and Known Capital Projects at Facility	Describes current or planned capital projects to be implemented in the facility.	Consider including in a schedule above.
EXHIBITS			
I	Performance Bond/ Construction Bond		
II	Labor and Material Payment Bond		
III (i)	Certificate of Acceptance – Investment Grade Audit Report		
III (ii)	Certificate of Acceptance – Installed Equipment		
IV	Equipment Warranties		
APPENDICES			
A	RFP for ESCO Solicitation		
B	ESCO Proposal (Pre-Qualification Phase and Final Selection Phase)		

**AT-A-GLANCE –
ENERGY SAVINGS PERFORMANCE CONTRACT**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
C	Investment Grade Audit and Project Development Contract		
D	Investment Grade Audit Report		

APPENDIX D-7: At-A-Glance – Financing Solicitation Package

The Financing Solicitation Package can be used to solicit competitive financing when in-house sources of funding are not available. The model document is posted at the U.S. DOE Solution Center (http://www1.eere.energy.gov/wip/solutioncenter/performance_contracting.html). Below is an overview of each element of the document.

AT-A-GLANCE – FINANCING SOLICITATION PACKAGE	
Overview	
The Big Picture – What does the financing solicitation package achieve?	
<ul style="list-style-type: none"> • Enacts a competitive solicitation process to procure financing for the performance contracting project • Simplifies the state’s role by requiring the ESCO to conduct a competitive procurement on the state’s behalf, where the state makes the final selection 	
Benefits of this Approach	
<ul style="list-style-type: none"> • Gain the ESCO’s input on recommended best financing proposal • Ensure the procurement process does not delay signing of the performance contract • Provides the ESCO with immediate input on available interest rates that will impact the cash flow of the project 	
Lease-Purchase Agreement	
<ul style="list-style-type: none"> • A municipal tax-exempt lease-purchase agreement is the standard financing mechanism • No standardized agreement is available • It is expected that the responding firm will have an agreement that has already been used in the state, providing a working template 	

AT-A-GLANCE – FINANCING SOLICITATION PACKAGE			
Section	Title	Description & Key Points	Negotiating Items & Recommendations
RFP for ESCOs to Solicit Competitive Financing on Behalf of an owner			
	Introduction	Basic solicitation of information	N/A
	Notice of Invitation	Identifies the scope for funding or financing. Identifies response requirements of a proposal letter, model lease contract, schedule of payments and amortization schedule, and escrow information.	The intent is for the ESCO to prepare the RFP and solicit responses on behalf of the owner.

**AT-A-GLANCE –
FINANCING SOLICITATION PACKAGE**

Section	Title	Description & Key Points	Negotiating Items & Recommendations
	Proposal Information - Specific Terms	Defines the basic parameters for the financing organizations to prepare their bid responses. Defines lessee, lessor, nature of the model lease contract, security required, desired terms of interest rate, pre-payment requirements, assignment rights, the need to specify all costs, requirements of the ESCO, and requirements of the lender.	State whether owner's funds will be used as a down payment.
	Proposal Information – Conditions to Proposal	This section defines the conditions: the cost of developing the proposal is the respondent's responsibility, there are no oral or implied contracts, the owner has the right to accept or reject the proposal, the lessor is required to enter into a tax-exempt lease purchase agreement with the owner if selected, and any amendments that become part of the contract, and standard contract requirements.	
	Financing Proposal Letter	A prepared letter is provided for respondents to submit that includes the submittal requirements of lender information, financing structure (structure, security, proceeds, term, payments, prepayment, interest rate, closing costs, escrow account terms, model lease contract, payment and performance bond requirements (if any), credit approval, and closing date. The letter provides the opportunity for respondents to submit other information as well.	The intent is for the ESCO to review the responses and present all responses to the owner with the ESCO's recommendations and comments on the most advantageous proposal.
	Signature Sheet	The ESCO will submit this sheet along with the proposal letter.	
	Overview of Facility Improvement Projects	This section is prepared by the selected ESCO to describe the purpose of financing, including total installed cost, financed capital (including capitalized interest for the construction period), financing term, frequency of payments (minimum of quarterly), description of projects, and anticipated draw schedule.	
	Model Lease-Purchase Agreement		If a model lease-purchase agreement is available that meets the requirements of the owner or state legislation, include it as a reference.



APPENDIX E: Chapter 5 – Overseeing a Project

Appendix E-1: Technical Assistance Tasks for Field Representatives (Medium-Cost Option)

Appendix E-2: Sample Request for Proposal (RFP) and Contract to Solicit Field Representatives (Project Facilitators)

Appendix E-3: Project Screening

Appendix E-4: Sample Feasibility Study

Appendix E-5: Project Tracking Log

Appendix E-6: Technical Assistance Checklist

APPENDIX E-1: Technical Assistance Tasks for Field Representatives (Medium-Cost Option)

Below is an outline of technical assistance tasks that an Energy Savings Performance Contracting (ESPC) program could consider providing to assist owners through the ESPC process. The outline includes the number of hours for each service.

The following is a detailed task list for use by program-funded Project Facilitators. Since this list is intended to be offered at no cost from the program, the technical assistance is not as intensive as an owner-funded option and is considered a medium-cost option.

Project Development Phase

- Overview: The first step is to conduct a preliminary phone discussion to pre-screen the potential project, followed by a site visit. The site visit will involve a meeting with decision-makers and a facility walk-through with maintenance staff members to further assess the project potential and how performance contracting could be applied. As funds allow, a follow-up feasibility study could be conducted to present a cost and savings analysis of the top few likely measures in order to give the owner a sense of the magnitude of what could be funded.
- Goals: Determine whether performance contracting is a realistic option and get a “go” or “no-go” decision to proceed with a request for proposals (RFP).
- Tasks and Hours Estimate:
 - Preliminary phone discussion and pre-screening to determine eligibility for program services, and a write up of the discussion. (1 hour)
 - Site visit: 1) meet with facility director and decision-makers, 2) present an overview of performance contracting, 3) get support for completing a feasibility study and to consider a performance contracting project, 4) conduct a walk-through with the facilities director (same day, 2–4 hours) to collect enough information for a feasibility study. (8 hours max, plus travel time)
 - Develop a feasibility study to present a potential performance contracting project. This step is largely for marketing purposes to gain buy-in. It could be a simple benchmark comparison of utility use compared to similar type facilities that are efficient, with an efficiency and cost savings estimate and an estimate of the dollar value of the project that the cost savings can support. Alternatively, the study could go more in depth and provide an overview of facility conditions (that can later be used in an RFP) and a simple cost-benefit analysis of three or more of the most likely measures, with a pro-forma of an aggregated project to be financed. After completing the study, send it to the owner, follow-up with a phone discussion, and present the results at a board/decision-maker meeting. Get a “go” or “no-go” decision to proceed with an RFP. (8 hours max plus travel time)

Request for Proposal (RFP) Phase

- Overview: With a “go” decision from the owner, the RFP phase involves customizing the model RFP and capturing facility and utility use data to enable the responding Energy Service Companies (ESCOs) to assess whether to submit a proposal.
- Goal: Prepare an RFP that meets the needs of the owner and that provides sufficient detail for ESCOs to decide to submit a proposal.
- Tasks and Hours:
 - Obtain utility use information and a facility overview from the owner to insert into the RFP. (3 hours)
 - Customize the RFP to meet the owner’s needs. (3 hours)
 - Provide the owner with a list of ESCOs. (1 hour)

- Provide an on-site training session for the owner’s evaluation team to educate each team member about performance contracting, discuss evaluation criteria, establish consistent expectations, and develop questions to differentiate between ESCOs. (3 hours plus travel)
- Participate in the evaluation committee as an advisory, non-voting member to review proposals for “red flags” and to identify questions or clarifications needed from ESCOs. Participate in the follow-up decision-making discussion to ensure the evaluation team is not swayed by a misunderstanding of the industry (16 hours plus travel, depending on the number of proposals and complexity of the project; if ESCOs were pre-qualified, this step will be less time-intensive)
- After ESCO selection, meet with the owner to go over all elements of the proposal to ensure no “red flags” (ensure compliance with legislation and RFP requirements) and to prepare for the audit contract. (4 hours plus travel)

Investment Grade Audit Phase

- Overview: Guide the owner through the audit process, providing a template document, attending the kick-off meeting with the ESCO, and reviewing and commenting on several iterations of the audit report to validate cost and savings estimates.
- Goal: Ensure that the identified measures and the cost and savings estimates are based on sound engineering practices with reasonable assumptions so that the owner can proceed with the performance contract.
- Tasks and Hours:
 - Provide the audit contract template for the ESCO and owner to develop.
 - Attend the kick-off meeting with the owner and ESCO. This step is critical for ensuring effective communication and that the facilitator has the necessary background to review the audit. (3 hours plus travel)
 - Review and comment on the final audit contract document. (1 hour)
 - Review the preliminary audit and subsequent iterations of the audit to ensure energy saving calculations are sound and that costs, markups, and escalation rates are reasonable. Advise the owner on findings each time. (8 hours minimum, depending on the scale of the project)
 - Ensure the measurement and verification plan (M&V) is properly developed to establish how savings will be measured and how the guarantee will be determined. (3 hours minimum, depending on the scale of the project)
 - Ensure the commissioning plan is properly developed. (1 hour)

Financing Phase

- Overview: Guide the ESCO through running a competitive solicitation on the owner’s behalf in order for the ESCO to help the owner select a provider with the best financial terms and services to finance the project.
- Goals: Establish a final financing agreement with a competitively selected provider.
- Tasks and Hours (2 hours total)
 - Engage the owner’s finance officer to work with the ESCO.
 - Provide the financing RFP for the ESCO to run a competitive solicitation on behalf of the owner and make a recommendation on which financial proposal to accept.
 - Advise the ESCO and owner to seek other available funding sources to add to the scope, such as utility rebates or grant funds.

Performance Contract Phase

- Overview: Interact with the owner and the ESCO to review and comment on iterations of the contract to ensure the owner’s risks are mitigated and that the contract is well documented.

- Goals: Ensure the owner fully understands and approves each element of the contract and ensure that the contract is well documented to address scenarios that could arise over the long contract term, including how to measure and verify efficiency savings to ensure the guarantee is satisfied.
- Tasks and Hours
 - Provide the performance contract template and explain each element. (3 hours plus travel)
 - Review the ESCO's customization of the contract, ensure full documentation, ensure compliance with legislation and RFP requirements, and raise issues related to risk, guarantee, escalation rates, etc. Several sessions may be needed to get to contract approval. (20 hours, depending on the scale of the project)
 - Review the commissioning plan and measurement and verification plan, as well as other schedules attached to the contract. (10 hours, depending on the complexity and scope of the project)

Measurement and Verification Phase

- Overview: On a quarterly or annual basis, review and comment or approve the ESCO's reports on efficiency savings to validate for the owner that the guarantee was satisfied.
- Goal: Ensure that efficiency savings meet or exceed the ESCO's guarantee.
- Tasks and Hours:
 - Ensure that the measurement and verification process established in the performance contract schedules was accurately applied and that the baseline was reasonably adjusted. (12 hours depending on the scale of the project)
 - Review quarterly/annual savings reports and advise the owner on results. (12 hours depending on the scale of the project)

Project Data Collection

- Overview: Collect detailed technical data on the project to document the success of the project and the success of the program.
- Goal: Document the details of the project for use in program metrics as well as for a case study.
- Tasks and Hours:
 - Collect technical data on buildings, project cost, annual guaranteed efficiency savings versus actual annual efficiency savings, associated cost savings, and financing mechanism. (2 hours or more, depending on level of effort)
 - Provide anecdotal and historical information to include in a case study. (2 hours)

APPENDIX E-2: Sample Request for Proposal (RFP) and Contract to Solicit Field Representatives (Project Facilitators)

Below is a sample RFP and contract. The RFP includes response criteria, evaluation factors, and the selection process. The contract includes performance requirements, a sample task order with associated funding letter, and reporting requirements.

Request for Proposals for Technical Assistance Field Representatives for a State Energy ESPC Program

DESCRIPTION

This model RFP is provided for a state energy office (SEO) to contract with ESPC professionals who will function as technical assistance field representatives to support the SEO's program, providing technical oversight services to owners and added technical expertise for the SEO's program planning and development process. (The model is based on the RFP used by the Colorado Governor's Energy Office and can be adapted to meet the particular needs of any program.)

This is a model document only and does not attempt to identify or address all circumstances or conditions you may encounter or desire. Consult with your legal counsel and procurement staff members to adapt this document to meet your needs.

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SECTION I – ADMINISTRATIVE INFORMATION
SECTION II – BACKGROUND, OVERVIEW AND GOALS
SECTION III – STATEMENT OF WORK
SECTION IV – OFFEROR RESPONSE FORMAT
SECTION V – EVALUATION
ATTACHMENT – CONTRACT

I - ADMINISTRATIVE INFORMATION

Insert boiler-plate information supplied by the issuing procurement office. This language typically includes: contact information of issuing office; schedule of activities (timeline); pre-proposal conference information; information for proposer on submittal and award process, modification, withdrawal, protest, confidentiality, etc.; as well as requirements of all state contracts.

II – BACKGROUND, OVERVIEW AND GOALS

The State Energy Office (SEO) is soliciting proposals from consultants (Contractor) with expertise in energy efficiency of buildings and energy savings performance contracting (ESPC) to provide Technical Consulting and Program Management Support for its ESPC program (the Program), serving as technical assistance field representatives.

Program Description: The SEO is developing the Program to encourage and assist government decision makers throughout the state to achieve the many benefits of energy efficiency available through performance contracts. ESPC is an effective way for governments to achieve large-scale, comprehensive energy-saving projects. Other activities of the SEO that may further support this Program include educational/outreach activities, including a constantly updated and expanded website, presentations at conferences and associations, personal contact with associations representing target audiences, workshops, etc.

Individuals or Firms: Offerors can be individuals or firms. If the offeror is a firm, selection will be largely based on the credentials of the lead individual proposed to serve as the consultant. It is desired that the lead individual handle all interaction with the program and perform all/most assigned work. The program deems this requirement

highly important, as a single individual's involvement will provide consistency of communication and quality expertise and services in working with the program and its customers.

Independent Advisor: The consultant must be able to serve as an independent advisor. It is desired that the consultant and consultant's firm do not function in the capacity of, and do not conduct work with/for, energy service companies (ESCOs) or other energy-related firms that conduct such work in this state for the audience targeted by the program (state and local government sectors), as the Program views it as a conflict of interest for consultants to provide the same services that they advise the Program customers to pursue.

Travel Expectations: The consultant will be expected to travel throughout the state to work with state and local governments and other Program owners.

Job Requirements:

General

- Single consultant, as described above.
- Independence, as described above.
- Academic Experience: Four-year college degree or higher in energy engineering, mechanical engineering, or a buildings-related technical field. Professional Engineer (PE) or Certified Energy Manager (CEM) certifications are desired but not required.

Technical Experience – a general knowledge of all elements below is required:

- Building Energy Use: Experience or knowledge of energy use in government buildings (schools, universities, office buildings, recreation centers, water treatment plants, housing authorities, etc.). Experience or general knowledge of utility bill tracking and analysis (tracking and monitoring utility bills, identifying utility bill errors or switching rate schedules, using commercial energy tracking software, identifying baseline consumption, assessing efficiency savings with respect to the baseline, etc.).
- Building Energy Systems: Experience or knowledge regarding building energy systems (analysis, specification, engineering design, operation and maintenance, installation, etc.). Experience or knowledge of energy systems (lighting upgrades, boiler replacements/modifications, evaporative cooling, etc.). Experience or knowledge with specialty systems (pool systems, ice skating rink systems, water-saving retrofits, plants, distributed generation systems, water/sewage treatment plants, geo-exchange systems, etc.).
- Renewables Systems: Experience or knowledge of renewable systems (solar electric, solar thermal, wind, Power Purchase Agreements (PPAs), etc.).
- Energy Auditing: Experience or knowledge in identifying and evaluating energy-saving opportunities, evaluating energy efficiency and cost savings, and estimating project costs.
- ESPC Experience: Experience or knowledge of ESPC processes and applications and the ESCO industry and practice.
- Commissioning Experience: Experience or knowledge of commissioning practices.
- Measurement and verification: Experience or knowledge of measurement and verification practices.

Marketing/Facilitation Experience:

- Schools/Government Experience: Interpersonal and government relations skills, such as experience and ability in facilitating meetings and leading projects, involvement or familiarity with government decision-making practices and government procurement processes (competitive solicitations – RFPs, contractor selection process, contracts, other purchasing practices, budgeting processes, and any special regulations for multi-family housing authorities, state/local government, etc.).
- Owner Facilitation: Experience or capability to influence decision-makers and facilitate meetings of five or more people, identify interests/concerns/barriers, discuss solutions, arrive at consensus, and following through on activities.

Capability:

- Ability to conduct work and provide timely follow-up on projects as needs arise, recognizing that demand for services will vary significantly. Flexibility in changing schedules and meeting anticipated needs of building owners.
- Travel: Willingness to travel and serve the entire geographic area for this program.

III – STATEMENT OF WORK

A. TASKS

Team Approach: The consultant must be willing to work in a team effort with the Program staff members. Program staff members may conduct some of the services.

Task Pre-Approval: The SEO will authorize each task before it is conducted to ensure efficient use of resources.

1. Program Management Support

Assist the SEO in developing the Program guidelines, procedures, and resources as needed.

2. Technical Consulting

- Initial Consultation: Educate decision-makers and facilities or administrative staff members to recognize the value and cost-savings that could result from an ESPC project.
- Facility Owner Assistance: Discuss process and potential project with facility owners.
- Procurement/Selection of ESCO: Facilitate the procurement process for final selection of an ESCO, following program guidelines.
- Project Development: Participate as customer’s representative in meetings with the ESCO. Serve as trouble shooter and communication facilitator throughout the process to ensure customer’s expectations are appropriate and are met by contractor. Work in a tag-team approach with SEO program staff members and consultants to deliver optimum services to owners.
- Investment Grade Audit Review: Review the Investment Grade Audit to ensure stated markups from the proposal are applied, efficiency savings estimates are based on sound engineering approaches, and project cost estimates are reasonable.
- Monitoring and Verification Plan: Ensure a monitoring and verification plan is developed during the audit process and uses guidelines and tables detailed in the audit contract. Review the plan and ensure the plan is later refined and incorporated into the performance contract.

- **Contract Development:** Advise the owner on contract issues, offer negotiating tips, and ensure all schedules are well-documented as defined in the contract guidelines. Ensure monitoring and verification process is laid-out using the tables and process as defined in the performance contract schedule guidelines.
- **Project Monitoring:** Help monitor project construction and project operation to ensure the successful completion of construction and operation of the energy conservation measures as defined in the energy performance contract.
- **Monitoring and Verification Report Review:** Ensure monitoring and verification reports apply the process laid out in the performance contract, advise the owner if the report can be accepted as accurate, and advise on any issues to further explore.
- **Dispute Resolution:** Assist in the mediation of disputes that may arise between the Owner and the ESCO and/or identify whether a dispute exists that needs further independent assessment.

B. DELIVERABLES

The Contractor shall prepare and develop the following deliverables for each owner:

- Project tracking log (monthly) to report on activities and progress.
- Other deliverables may include engineering studies on projects, written review of audit, written review of monitoring and verification results, table of cost analysis, etc., as indicated in the task list and as directed and approved by the SEO.

Deliverables must be produced to the satisfaction of the SEO.

C. TRAVEL

Travel will be necessary to visit the Program owners at their location (any location in the state) and to meet with Program staff members for progress update meetings.

D. REIMBURSABLE EXPENSES

Mileage expenses will be reimbursed at the rate of \$_____/mile.

Lodging, meals, parking, and other expenses will be reimbursed according to the SEO's procedures: _____

E. PROJECT SCHEDULE

This contract will be in force for a period of five (5) years unless cancelled according to the terms of the contract. The schedule is highly variable. There could be several periods with little or no activity followed by a spurt of activity. The consultant will be actively involved in generating interest in the program, so he or she will be able to influence the level of activity and schedule. No commitment is made by the SEO to maintain consistent levels of work.

F. CONTRACT INFORMATION

This arrangement will be an indefinite quantity, minimum delivery contract. The SEO will execute a contract for a minimum of \$_____ that is intended for the initial period of the five-year contract for hourly compensation, travel, and other reimbursements (the period will be determined by the need for such services). Additional funds may be added to the contract at the discretion of the SEO throughout the contract term, depending on additional demand for services.

If additional hours are contracted for, the hourly rate will remain the same as in the original contract, however an escalation rate based on inflation and established by the SEO will be applied to all costs after each one-year contract period when initiated by contractor.

G. CONTRACTOR EVALUATION

The contractor selected from this Request for Proposals will be evaluated with respect to owner satisfaction as well as to the satisfaction of the SEO to ensure that tasks are being performed accurately and in a timely, owner-oriented manner. The SEO will pre-approve all individual activities, and will hold quarterly meetings to review performance, discuss project updates, and decide on future activities.

IV – OFFEROR RESPONSE FORMAT

A. PROPOSAL FORMAT

Submit one printed copy of your proposal (clearly mark as “original”). Submit the full proposal in a single PDF file via email to:

At a minimum, the proposal package must contain all items outline in the Required Proposal Elements.

B. REQUIRED PROPOSAL ELEMENTS

Present proposals in the following identifiable sections as listed below. **Re-state the question or sub-heading above your response.**

All information included in the responses may be used to evaluate any component of the response.

PROPOSAL ELEMENTS

1. Experience, Expertise, and Capability (55 points)

Each of the sub-criteria (“a” through “e”) are of equal weight.

a. Approach

- i. Firm. Describe the services of your firm, if applicable.
- ii. Single Consultant. Indicate the percentage of work to be conducted by the lead consultant. Note that the program seeks a lead consultant that will do 100% of the work, so that an individual consultant is involved in all aspects of a project (technical work as well as interaction with the program and the owner), in order to maintain consistency of communication and high quality of service. However, the program will consider a team approach where proposed. In that case, describe the roles and percentage of workload for any other individuals planned for this work. Describe the management and communication approach to making the team function as a single consultant would.
- iii. Independence. Describe the nature of your business with respect to energy service companies that conduct work in this state for state and local governments. Also describe the nature of your business with respect to other energy-related firms that provide product or services for this state’s state or local governments (include energy engineering firms, engineering design firms, commissioning firms, schools energy management firms, vendors,

etc.). Describe how you or your firm can truly function as an independent consultant for the program, as the SEO considers it a conflict of interest for the selected firm to conduct work as or for a company that is engaged in the same types of businesses that the program advises owners to pursue.

b. Experience - Technical

- i. Resume. Provide an overview of the experience and qualifications of the lead consultant and attach a resume (two pages maximum). Include academic background and degrees, professional designations (PE, CEM, etc.), and relevant work history. Include the same information for any other individual if a team approach is proposed.
- ii. Building Energy Use. Describe your experience with energy use in government buildings (schools, universities, office buildings, recreation centers, water treatment plants, housing authorities, etc.). Describe your experience in utility bill tracking and analysis (tracking and monitoring utility bills, identifying utility bill errors or switching rate schedules, using commercial energy tracking software, identifying baseline consumption, assessing efficiency savings with respect to the baseline, etc.).
- iii. Building Energy Systems. Describe the nature of your experience regarding building energy systems (analysis, specification, engineering design, operation and maintenance, installation, etc.). List the energy systems you have dealt with (lighting upgrades, boiler replacements/modifications, evaporative cooling, etc.). List the specialty systems you have been involved with or are familiar with (pool systems, ice skating rink systems, water-saving retrofits, plants, distributed generation systems, water/sewage treatment plants, geothermal systems, etc.).
- iv. Renewables Systems. List the renewables systems you have been involved with (solar electric, solar thermal, wind, PPAs, etc.).
- v. Energy Auditing. Describe your experience in identifying and evaluating energy-saving opportunities, evaluating energy efficiency and cost savings, and estimating project costs.
- vi. ESPC Experience. Describe experience and direct involvement with ESPC and ESCOs.
- vii. Measurement and Verification. Describe your experience and direct involvement with measurement and verification.
- viii. Commissioning. Describe your experience and direct involvement with commissioning.

c. Experience - Marketing/Facilitation

- i. Schools/Government Experience. Describe your interpersonal and government relations skills, such as experience and ability in facilitating meetings and leading projects, involvement or familiarity with government decision-making practices and government procurement processes (competitive solicitations – RFPs, contractor selection process, contracts, other purchasing practices, budgeting processes, and any special regulations for multi-family housing authorities, state/local government, etc.).
- ii. Owner Facilitation. Describe your experience with influencing decision-makers and facilitating meetings of five or more people, identifying interests/concerns/barriers, discussing solutions, arriving at consensus, and following through on activities.

d. Work Product

Attach a sample energy audit that demonstrates your engineering work, writing skills, presentation of technical information, engineering calculations, and cost-estimating approaches. (Note: only two copies need to be submitted with the proposal, but they should be separated out from the rest of the response.)

e. Capability

- i. Schedule. Recognizing that demand for services will vary significantly, describe your capability to complete this project, ability to conduct work and provide timely follow-up on projects as needs arise, and describe your flexibility in changing schedules and meeting anticipated needs of building owners.
- ii. Travel. Describe your willingness and interest to serve the entire geographic area for this program. This effort will focus on state and local governments throughout the state. Typical trips will vary from one hour to five hours from [redacted] and could be one-day trips or include an overnight stay. Trips to any corner of the state will typically be 2–3 days long in order to serve the region in an economical way.

2. Costs (30 points)

- a. Hourly Rate. List the following for the lead consultant: Name, Title, Hourly wage. If the lead consultant is not proposed for 100% of the work, list above information for other staff members and list the percentage of the total work that each individual will complete.
- b. Hourly Travel Rate. List the hourly wage for travel time.

3. Oral Interview (15 points)

The lead individual proposed by the offeror will be required to attend the oral interview.

V – EVALUATION

A. EVALUATION PROCESS

Overview: This evaluation will be a two-step process.

Phase I

In Phase I of the evaluation process, offerors' proposals will be evaluated on their technical experience and expertise, statement of costs, and written communication skills. A total of 85 points will be assigned at this point. If the evaluation committee has any questions about the proposal, written clarifications will be requested before the proposal scores for Phase I are finalized. Top candidates will then move on to Phase II. Letters will be sent at this time to offerors who are disqualified from moving on to Phase II. During Phase II, each offeror will be asked to respond to a standard list of questions and up to 15 additional points—based upon their oral communication skills—will be added to their Phase I evaluation scores. Changes in the Phase I score can be made during the Phase II process if the interview process clarifies elements of Phase I.

An evaluation committee will judge the merits of the written responses received in accordance with the evaluation factors described below in Phase II – B: Final Selection. Evaluation of the written responses will constitute Phase I of the evaluation process.

If the committee decides that clarifications will be required from the offerors to evaluate the proposals, clarification letters will be faxed to the offerors. Offerors will be expected to respond in writing to the clarification request within three business days.

Phase II

Based on the total scores after Phase I, the evaluation committee will invite the offerors with the top-scoring qualified proposals to participate in the Phase II oral presentations. The candidates participating in oral presentations will be limited to those with proposals that the evaluation committee considers as having a reasonable chance of receiving an award based solely on Phase I of the evaluation. This means candidates with scores no more than 15 points lower than the leading candidate(s). Candidates who do not qualify for oral presentations will be notified at this point.

The oral presentations will allow offerors to respond to a standard list of questions and give the evaluation committee an opportunity to evaluate the candidates' oral communication skills. The evaluation of oral presentations will complete the evaluation process. Up to 15 additional points will be added to each offeror's score after the oral presentation has been completed. The people who will be assigned to this project will be expected to participate in the oral presentation. If a backup candidate is proposed, that person will need to be available for oral presentations as well.

B. FINAL SELECTION

The proposal(s) with the highest scores (after Phase I and Phase II of the evaluation process have been completed) will be recommended for award.

The recommendations of this committee will be forwarded to the Division of Finance and Procurement, State Purchasing Office, for review and approval.

ATTACHMENT – CONTRACT

THIS CONTRACT, made this DAY of _____ DATE _____, by and between the State Energy Office (SEO) hereinafter referred to as the State or SEO, and _____ COMPANY NAME & ADDRESS hereinafter referred to as the Contractor.

WHEREAS, authority exists in the law and funds for the current fiscal year have been budgeted, appropriated, and otherwise made available, and a sufficient uncommitted balance thereof remains available for encumbrance and subsequent payment of this Contract Number _____; and

WHEREAS, required approval, clearance and coordination has been accomplished from and with appropriate agencies; and

WHEREAS, the Program provides services to the State’s state and local governments to develop comprehensive, large-scale energy-saving projects; and

WHEREAS, the State, after evaluating all timely, complete and qualified proposals submitted, and after completing oral presentations, has determined the Contractor’s proposal, and two other proposals selected, as the most advantageous to the State, price and other factors considered; and

WHEREAS, the Contractor has the expertise and resources necessary to provide the work required by the State.

NOW THEREFORE, it is hereby agreed that,

1. The Program

In consideration of the State’s promises hereinafter made, the Contractor promises to provide the professional services necessary to complete the program outlined in this paragraph, including all tasks, objectives, reporting requirements, and specifications as required herein.

A. Program Description:

SEE RFP FOR PROGRAM DESCRIPTION

B. Program Goals and Objectives:

SEE RFP FOR PROGRAM GOALS & OBJECTIVES

C. Statement of Work:

SEE RFP FOR STATEMENT OF WORK

i. Task Orders: Tasks will be defined, negotiated, and ordered by agreement of the parties based on the rates established in attached Exhibit D, and the descriptions set forth in Section 1.C.ii, and are subject to the same terms and conditions established in the contract. The Contractor understands that there is no guaranteed minimum commitment by the State to issue Task Orders pursuant to this contract. Changes to terms, conditions and prices specified, or other provisions of the contract shall be completed by formal amendment and signed by the State Controller or his designee. Task orders processed in accordance with this paragraph shall occur as follows:

If the State has need of services, and the Contractor agrees to provide those services, the State shall provide a definition of the requirements to the Contractor. The Contractor will propose a price for the task using the rates agreed to and identified in attached Exhibit D to the contract and attached to the Contractor’s proposal. The proposal shall include the estimated number of hours and amount of other elements of cost priced by the parties in the rates established in Exhibit D, as well as the proposed time of performance, in a form acceptable to the State.

Upon negotiation and agreement of the parties concerning the statement of work, the price, and the time of performance, the Task Order attached as Exhibit A to the Contract shall be prepared and signed by both parties.

Performance of the work and payment for that work shall be governed by the standards and procedures set forth in this contract. Upon negotiation and acceptance of the Task Order, the contractor warrants that performance will be successfully completed within the time frame and price stated in the Task Order. The State's financial commitment stated in the Task Order shall not be considered valid until the State Controller or a delegate executes the Task Order.

ii. Work Tasks:

(1) Contractor shall perform specific tasks as needed as set forth below:

SEE RFP FOR WORK TASKS

C. Conflict of Interest Issues:

In order to maintain neutrality while dealing with customers, the Contractor agrees to the following:

- Contractor shall serve as an independent advisor such that the consultant and consultant's firm do not function in the capacity of, and do not conduct work with/for, ESCOs or other energy-related firms that conduct performance contracting, commissioning, or other such work in the State's state and local government sectors. SEO views it as a conflict of interest for consultants to provide the same services that they advise SEO Program customers to pursue.
- When Contractor has provided SEO Program services to a particular customer, Contractor shall refrain from accepting any work with the customer, or with any other contractor selected to serve the customers, for the duration of this contract.
- Contractor shall refrain from offering services for hire to any owner that could otherwise be served by the SEO Program.
- Contractor shall consider all information about owners or potential owners as confidential and not to be shared.

SEO Program reserves the right to make exceptions where the service is beneficial for both the owner and SEO Program's goals; for example, SEO Program shall encourage owners to contract directly with SEO Program consultants to provide ongoing monitoring and verification services on performance contracts, as a way to transfer SEO Program's costs for services to the customer.

The Contractor (and any Subcontractors permitted under the terms of this Contract) shall maintain a written code of standards governing the performance of its employees engaged in the award and administration of contracts. No employee, officer or agent of the Contractor or any Subcontractor, shall participate in the selection, or in the award or administration of a contract or subcontract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when 1) the employee, officer or agent; 2) any member of the employee's immediate family; 3) the employee's partner; or 4) an organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award. The Contractor's, or Subcontractor's officers, employees, or agents will neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to sub-agreements.

D. Project Schedule:

Provide services as described in tasks above, as needed, for the duration of the 5-year Contract. The schedule is highly variable. No commitment is made by SEO to maintain consistent levels of work.

E. Contractor Evaluation:

The Contractor will be evaluated with respect to owner satisfaction as well as to the satisfaction of SEO that tasks are being performed accurately and in a timely, owner-oriented manner. SEO pre-approves all individual activities. SEO will hold quarterly meetings to critique performance, discuss project updates, and decide on future activities.

2. Reports

A. Periodic Reports:

A monthly report shall be submitted to the SEO each month during the term of this Contract. The report, following formats attached as Exhibit B, shall fully describe work completed, discussions, and interactions, shall indicate the status of work to be performed pursuant to this Contract, and shall indicate clearly whether work is proceeding according to schedule, ahead of schedule, or behind schedule. If the work is behind schedule, the Contractor shall immediately begin implementation of a program to bring work up to schedule.

B. Final Report:

The Contractor shall submit to SEO, due within 60 days following the Contract termination date, a compact disc of all work generated during the course of the project, including an up-to-date status report on each project.

3. Contract Price

In consideration for work and technical engineering consulting services performed, the State agrees to pay the Contractor at an hourly rate, as detailed and specified in attached Exhibit D, plus reimbursable expenses directly attributable to program delivery, for a total amount not to exceed \$ **AMOUNT**, funds for which are available and encumbered in that amount.

The Contractor's hourly rate may be increased on an annual basis in July where initiated by the Contractor. An escalation rate based on inflation and established by SEO will be applied to all hourly labor costs.

If deemed to be in the State's best interest and if funds permit, SEO may allocate more or fewer funds available on this contract using a Funding Letter substantially equivalent to attached Exhibit C and bearing the approval of the State Controller or his designee. The Funding Letter shall not be deemed valid until it shall have been approved by the State Controller or his designee.

4. Payment Terms

A. Billing Procedures

The State shall pay the Contractor the reasonable, allocable, and allowable costs for work performed under this Contract. The Contractor shall be reimbursed no more than once a month based on the submission of monthly statements on a form provided by the SEO detailing expenditures. To be considered for payment, billings for payment pursuant to this Contract must be received within 60 days after the period for which payment is being requested, and final billings on the Contract must be received by the State within 60 days after the end of the Contract Term.

Travel and per diem costs for owner services will be reimbursed at the State rate.

- Mileage reimbursement for automobile travel: cents per mile, or as updated, per State Statute. Car rental can be supported where it is more cost-effective than the state rate.
 - Per Diem rates for meals vary by location as prescribed by the State.
 - Lodging is fully reimbursed (with receipts and pre-authorization).
 - Flights may be more cost-effective to travel to some locations and will be fully reimbursed (with pre-authorization).
- B.** The State may withhold any payment if the Contractor has failed to comply with terms and conditions provided in this Contract or its attachments.
- C.** The SEO shall withhold payment of the final ten percent (10%) of the total Contract amount until the Contractor has submitted and the SEO has accepted all required financial, progress, evaluation, and performance reports enumerated in this Contract or any of its Exhibits or Attachments.
- D.** In the event this Contract is terminated, final payment to the Contractor may be withheld at the discretion of the State until completion of final audit.

INSERT STATE-SPECIFIC BOILER PLATE CONTRACT REQUIREMENTS

**EXHIBIT A
SAMPLE TASK ORDER LETTER**

Date: _____

State Fiscal Year: _____

Task Order Letter No. _____

In accordance with Paragraph _____ of contract routing number (FY) (agency) (routing #) between the State Energy Office (SEO) and CONTRACTOR NAME covering the period of (contract start date) through (contract end date), the undersigned agree that the supplies/services affected by this task order letter are modified as follows:

Task Order Description

The contractor shall perform the task in accordance with (the following specifications/statement of work) described in the contractor's task order proposal dated _____, as amended by amended task order proposal dated _____, both of which are hereby incorporated by reference.

Price/Cost

The maximum amount payable by the State for (service/supply) described above is (\$ _). The total contract value to include all previous amendments, task orders, etc., is (\$ _)

Performance Period

The contractor will complete the performance in this task order by _____.

This task order is executed pursuant to Paragraph 1.C.i. of the original contract. The parties agree that all work shall be performed according to the standards, procedures, and terms set forth in the original contract. In the event of any conflict or inconsistency between this amendment and the original contract, such conflict or inconsistency shall be resolved by reference to these documents in the following order: Special Provisions, original contract, attachments/exhibits to the original contract, this task order letter, attachments/exhibits to this task order letter.

The effective date of this task order is upon approval of the State Controller or (date), 20____, whichever is later.

Please sign, date, and return all copies of this letter on or before _____ 20____.

Contractor Name:

SEO:

By: _____

By: _____ Date: _____

Name: _____

Name _____, Director

Title: _____

SEO Name _____

ATTACHMENT 1 TO EXHIBIT A

SEO PROGRAM TASK ORDER

CONTRACTOR NAME:

PROJECT ID NUMBER:

CUSTOMER NAME:

	Project Phase	Specific Tasks Per Phase	Hours Approved	Deliverables	Date Due
I					
II					
III					
	TOTAL				

Project Phases include: introductory/feasibility; RFP development; audit contract; performance contract; monitoring & verification; program marketing; program development; document development; project tracking; administration; etc.

Specific tasks include: on-site meeting; walk-through audit; feasibility study development; utility bill tracking; follow-up consultation; evaluation training; contract negotiations; audit review; etc.

Deliverables include: feasibility study, contract review letter, contract negotiations recommendations letter, project tracking log, case study, meeting reports, etc.

EXHIBIT B

PROJECT TRACKING

Updated:

CUSTOMER NAME

PROJECT ID#:

CONTACT INFO:

REFERRED BY:

<i>SERVICES PROVIDED</i>	<i>DATE</i>	<i>COMMENTS & PROGRESS LOG</i>
Introductory Phase		
Initial Contact		
Prescreening		
Follow-up contact		
Pre-feasibility study		
Site visit		
Completed & mailed		
Presentation to Board		
ESCO Solicitation Phase		
Draft RFP		
RFP Issued		
Proposals reviewed		
Interviews		
ESCO Selected		
Energy Audit Phase		
Audit contract prepared		
Audit contract completed		
Audit reviewed		
Contract Negotiation Phase		
Follow-up Monitoring Phase		
Administrative		
Other		

CONTRACT EXPENDITURES TO DATE:

MATERIALS & INFORMATION SENT:

COMMENTS:

Forms for supporting documentation will be provided: Pre-screening form, pre-feasibility study tracking sheet, actual results tracking sheet, and contact log.

EXHIBIT C

SAMPLE FUNDING LETTER

Date: _____

State Fiscal Year: _____

TO: COMPANY NAME

SUBJECT: Funding Letter No. _____

In accordance with Paragraph _____ of contract routing number _____, between the STATE ENERGY OFFICE (SEO) and COMPANY NAME covering the period of (*contract start date*) through (*contract end date*), the undersigned commits the following funds to the contract:

The amount of funds available and specified in Paragraph _____ is (*increased/decreased*) by (*\$ amount of change*) to a new total funds available of (*\$_____*) to satisfy orders under the contract. Paragraph _____ is hereby modified accordingly.

This funding letter does not constitute an order for services under this contract.

This funding letter is effective upon approval by the State Controller or such assistant as he may designate.

APPROVALS:

State SEO:

By: _____

Date: _____

NAME, Director
STATE SEO PROGRAM NAME

By: _____

Date: _____

PROGRAM MANAGER, SEO

APPENDIX E-3: Project Screening

This appendix contains a detailed list of information items to consider when assessing owner potential for technical assistance.

It is important to pre-screen potential owners, to ensure there is potential for an ESPC project before technical assistance services are provided, and then to determine what level of assistance is warranted. Because the goal is to develop a performance contracting project, a project must have the size and scale for at least one ESCO to be interested – a pass/fail test is needed.

Project screening will be accomplished in person or over the phone by program staff members or technical assistance providers. Please give this portion adequate attention to ensure the Program does not provide services for buildings that will be demolished soon or that have no opportunities or political will.

Project Information Collection

General Information

- Name of Institution: Full, formal name
- Project ID/File name: All files will begin with a two-letter company designation, space, three-digit sequential number, full name of project, then project type, such as project tracking, audit review, etc. For example: “TE 005-Washington School District-Project Tracking”
- Facility Ownership Category: Public/private, school district, city, county, state agency, university, community college, other (define)
- Referred by: Workshop announcement, personal referral, newsletter article, etc.
- Contact Information: List each contact and update with added/replacement contacts
- Contact #1
 - Name:
 - Title:
 - Physical Address:
 - Mailing Address:
 - Phone:
 - Fax:
 - E-Mail:
 - Directions to Site:
- Other Contacts

Information Quality

Retain notes about the quality of information based on who is providing the information. For example, if information is from a hands-on facilities manager who has been in that position for 10 years, it is likely valuable and trustworthy. If information comes from an administrative person who was involved in the project from a distance or a new staff person without direct involvement, make note.

- Information provided by: Name, title
- Length of time at facility:
- Knowledge level:

Overview of Facilities

- All buildings under the same ownership and all utilities paid by owner?

- Number of buildings:
- Types of buildings/use (include water/waste-water treatment plants, etc.):
- Range of age:
- Total square footage and/or number of occupants/students:
- Annual utility budget (buildings use only –, gas, water etc.):
- Energy measures implemented
- Utility providers (electricity company, gas company, type of gas, bulk gas purchasing, renewables, other utilities):
- Facility/energy management practices:
 - Energy costs tracked?
 - Maintenance skill level?
 - Preventive maintenance practiced?
- General equipment condition and status:
 - Recent upgrades:
 - Lighting system upgrades?
 - Controls system improvements:
 - Major equipment replacements/improvements:
 - Maintenance problems:
 - Comfort problems:
 - Predominant heating system type:
 - Predominant cooling system type:
 - Extent of controls:
 - Other systems (pool, ice rink, waste-water treatment plant, etc.):
 - Upcoming equipment replacements:
 - Equipment/system wish list:
 - Hazardous waste (asbestos) issues (abatement plan in place?):
- Operating hours (weekday, weekend, seasonal, for schools identify if four-day school week):
- Proximity of buildings (central campus or widely scattered):
- Future building plans (sale, demolition, change of use, major rehab, planned and budgeted improvements, etc.):
- Funding capability/needs
 - Future capital plans:
 - Current funding availability (current capital budget, grants/bonds): Bond issue planned?
 - (Note: any added funds are highly leveraged by cost savings)
- Interest in performance contracting (familiarity/experience, contacted by ESCO? expectations?)
- Energy audits completed (year? availability?): Directions to site (if site visit is approved, please include in Contact Info above):
- Other contacts (please include in Contact Info above):

- Quotable phrases (many people are quite candid about their interests, state of facilities, why facilities need upgraded, views of budget, etc. – please capture quotes for later use; e.g., a school district superintendent says “kids have to wear mittens in class it’s so cold part of the year” or “anything we can save on operating costs goes right back into the classroom”).

Selected Building Information (as available and as deemed needed to further determine feasibility)

- Building Name:
 - Use:
 - Age/year built:
 - Square footage:
 - Lighting, indoor:
 - Heating:
 - Cooling:
 - Controls:
 - Other systems (pool, kitchen, renewables, etc.):
 - Maintenance problems:
 - Comfort problems:
 - ECMs implemented:
 - Desired improvements:
 - Future capital plans:

Initial Assessment Checklist

- Owner represents the Program’s target market sector
- Interest and buy-in from the Owner to proceed with a comprehensive ESPC project involving all applicable buildings
- Interest of local ESCOs (Interview ESCOs to learn the minimum size and scope that fits their business model. Some ESCOs have a lower threshold than others.)
- The size and scope of the project is the first indicator to match-up with minimum level that any ESCO will entertain
 - Overall utility and operational budget
 - Size of buildings
 - Remaining energy/water/cost-saving opportunities (lighting and controls upgrade opportunities and usually most cost-effective, enabling bundling of other less attractive measures for a larger-scope project)
 - Facility needs for equipment upgrades or replacements (being able to incorporate a project on the owner’s wish-list helps to get buy-in for a project)
- Large-scale buildings generally have greater opportunity than residential-scale or warehouse type buildings (large scale buildings have more complex HVAC systems with more upgrade opportunities)
- Congregated buildings versus widely dispersed buildings (buildings that are located close together enable easier economy of scale)
- Available funding to augment efficiency savings (if the project is marginal any added funding will enable an ESCO to increase the scope to make the project more attractive to the ESCO and more beneficial to the owner)



Determination for Technical Assistance

- Program Candidate: (yes/no)
- Type of service recommended:
- Next Steps:
- Request utility information from past 12 months (or last 3 years if available)

APPENDIX E-4: Sample Feasibility Study

The Sample Feasibility Study below is a template that the ESPC program's project facilitator can develop to help an owner recognize the potential cost, savings, and types of measures that could be included in the owner's ESPC project. The document is intended as a very high-level study to serve as a marketing tool for the owner to use in decision-making.

As funds and expertise are available, consider developing a feasibility study for owners. It can be used as an effective marketing tool. A feasibility study conducted by a project facilitator uses simplified estimates, assumptions, and recommendations to show the magnitude of a potential project that could be funded through efficiency savings and what key improvements could be made, often including the owner's top needs, such as boiler or chiller replacements.

The study paints a picture of what an ESPC project could look like. It helps to influence the owner to implement a performance contracting project to achieve a large-scale, comprehensive project. It is not intended as a substitute or even a start for an investment grade audit. It can be shared with ESCOs as background information with the caveat that it is not an investment grade assessment.

This example was adapted from a process developed in Colorado's program.

The grey highlight indicates what should be customized.

Feasibility Study for Energy Savings Performance Contracting

For:

Institution Name

Developed by:

Program Name

Date

Program Overview

The energy savings performance contracting program, program name, was developed to _____.

Program Logo

Disclaimer

This report is preliminary and general in nature. Results are intended to identify potential, cost-effective, energy-saving measures and the potential for proceeding with a large-scale, comprehensive project to upgrade your facilities through energy efficiency.

EXECUTIVE SUMMARY

The program, _____, conducted a preliminary engineering study of INSTITUTION NAME's facilities. We identified cost-effective, energy-saving opportunities that can be paid for through an energy performance contract, enabling you to upgrade and modernize your facilities without dipping into your capital budget. A performance contract uses future efficiency savings to pay for improvements, where annual efficiency savings are guaranteed and structured to meet or exceed the annual lease-purchase payments over a finance term of about 15 years.

Through an energy performance contract, a private energy service company (ESCO) identifies and implements energy saving projects, and guarantees that the resulting cost savings will meet the annual lease-purchase payments for the upgrades. This will allow you to capture capital improvement and energy efficiency benefits with little or no impact on your capital budget, and also offers the benefit of energy expertise and a performance guarantee.

Buildings considered in this study:

- Building 1 name
- Building 2 name

Energy-saving opportunities identified:

- ECM name (non-technical terms)
- ECM name

Total project cost for the buildings listed: \$ _____

Annual savings for the buildings listed: \$ _____

Potential total project investment through a performance contract: Based on findings in this study as well as information provided for remaining buildings, we estimate that \$ _____ in city-wide/district-wide/county-wide energy-saving projects could be paid for through savings using an energy performance contract within a 15-year or less term. The best strategy is to include all facilities in the performance contract in order to gain the benefit of economy of scale and to maximize investment opportunities.

If added funding is needed: Because energy savings cannot pay for the entire project cost, we recommend blending other funding sources with a performance contract, using the performance contract as an overall means to integrate funds and apply a comprehensive approach to improving facilities. The ESCO can help you identify and apply for additional funding that may be available.

The many benefits of performance contracting:

- Invest dollars in your facilities that would otherwise pay for high utility bills
- Complete projects now, and all at once, to capture savings immediately while enjoying the improvements
- Improve lighting quality, creating a better working/learning environment
- Improve thermal comfort, creating a better working/learning environment
- Reduce maintenance needs by replacing old equipment
- Modernize facilities by upgrading systems and replacing antiquated equipment
- Improve facility operations through upgraded controls systems
- Reduce risk of future utility cost escalations by managing energy use
- Reduce environmental pollution
- Reduce water use

The _____ program offers continued free services from a team of specialists to help you follow-through with a performance contracting approach. The program can help you develop an RFP to competitively solicit an energy service company (ESCO). Through an energy audit contract, your selected ESCO will conduct an in-depth analysis of energy and water-saving opportunities in your facilities and propose a package of projects that can be funded through savings. Through a subsequent performance contract, the ESCO will follow-through with construction and implementation of all the projects and guarantee that the annual efficiency savings will result in dollar savings that exceed the annual lease-purchase payment, monitoring the results for the long-term. The program will help you evaluate the ESCO's audit, review and negotiate contract terms, and serve as your third-party advocate to help ensure your success.

A more detailed account of our findings is presented in the table below.

<i>Energy Efficiency Opportunities</i>	<i>Estimated Cost</i>	<i>Estimated Annual Savings</i>	<i>Estimated Simple Payback</i>
Name(s) of Building(s)			
Upgrade Lighting			
Name(s) of Building(s)			
Upgrade _____			
Replace _____			
Total			

We strongly encourage the district to pursue this very viable approach. For more information on performance contracting, see www.colorado.gov/rebuildco.

ENERGY AND COST SAVINGS IMPROVEMENTS

On behalf of the _____ program, CONSULTANT NAME of CONSULTANT FIRM'S NAME met with INSTITUTION NAME, CUSTOMER CONTACT'S TITLE, in MONTH, YEAR.

The following cost-effective, energy-saving opportunities were identified in the buildings listed. NOTE: This is the same table as in the Exec Summary.

<i>Energy Efficiency Opportunities</i>	<i>Estimated Cost</i>	<i>Estimated Annual Savings</i>	<i>Estimated Simple Payback</i>
Name(s) of Building(s)			
Upgrade Lighting			
Name(s) of Building(s)			
Upgrade _____			
Replace _____			
Total			

Cost and savings shown are estimates only, and may differ with those developed through a more thorough evaluation. Installation cost estimates are based on typical costs from similar projects. Energy savings are based on engineering estimates and calculations and use the electricity and gas costs shown in the table below. There are likely additional opportunities in these buildings and in other buildings that could be identified in a performance contract.

Building Name(s)

- Can represent ECMs broadly over several buildings or individually by building, whichever is easiest
- No need to add detailed economic discussion – let the overall table above and the detail in the Appendix suffice
- Keep this as simple as possible; don't add unnecessary formatting or economic detail that adds to complexity of developing reports.

Lighting Systems

Existing Condition

Most of the lighting is fluorescent with inefficient T-12 fluorescent lamps and magnetic ballasts, largely in fixtures with two four-foot lamps. Other areas are lit by _____. Some incandescent lights are still present. Most exit signs in the buildings are incandescent.

Recommendations

- Replace all T-12 fluorescent lamps and magnetic ballasts with new, highly efficient T-8 lamps and electronic ballasts.
- Replace incandescent lamps with efficient compact fluorescents where appropriate.
- Replace all incandescent exit signs with new highly efficient LED signs.
- Install occupancy sensor lighting controls in areas where lights are often left on when not necessary.

Benefits

- Reduce energy use of fixtures by 25 - 30% when replacing T12 systems with T8 systems, while providing the same amount of light. The updated systems also improve the quality of light with better color rendition and elimination of flicker and hum.

Heating System

Existing Condition

Building Name(s): A _____ system _____...comment on comfort or maintenance issues.

Recommendations

- Replace _____
- Modify _____

Benefits

- Improve comfort _____
- Eliminate maintenance problems by replacing antiquated equipment _____

Cooling Systems

Existing Condition

- Building Name(s): A _____ system _____...comment on comfort or maintenance issues.

- Building Name(s): A _____ system _____...comment on comfort or maintenance issues.

Recommendations

- Replace _____
- Modify _____
- Note that added air conditioning will increase energy use compared to no air conditioning. If added air conditioning is in the long-range plan, a more efficient system can achieve efficiency savings. It may be appropriate to apply these efficiency savings to a performance contract, setting the baseline energy use with the added inefficient air conditioning system.

Benefits

- Improve comfort _____
- Eliminate maintenance problems by replacing antiquated equipment _____

Controls Systems

Existing Condition

Building Name: The controls system that operates the heating and ventilation system is antiquated and does not properly control the temperature and distribution of heat in the spaces. Further, the facilities staff would like to be able to control buildings remotely from a single location.

Building Name: _____

Recommendations

- Upgrade to a computerized direct digital controls system

Benefits

- Improve comfort in spaces by optimizing control of heat distribution and ventilation.
- Reduce “too hot” or “too cold” maintenance calls
- Improve operation of the facilities
- Gain ability to track energy use
- Other

Other System

NOTE: It is necessary to only address the several main ECMs above in order to establish the potential for an ESPC project and to show the owner the magnitude of investment that can be made in the facilities through efficiency savings. As a final measure, consider something that is of specific interest to the owner – a maintenance nightmare, for example.

Existing Condition

-

Recommendations

-

Benefits

-

Water-Saving Opportunities

Water efficiency savings can be applied to the investment of water-saving equipment replacements and landscape irrigation systems. Potential water-saving measures include:

- Name of water-saving measure
- Name

NOTE: It is necessary to only address the several main ECMs above in order to establish that a performance contracting project exists and to impress an owner with the magnitude of investment that can be made in the facilities through efficiency savings. As a final measure, consider something that is of special interest to the owner – a maintenance nightmare, for example.

Existing Condition

-

Recommendations

-

Benefits

-

Additional Energy Saving Projects

We identified other potential opportunities that are worthy of further analysis and that could contribute to the efficiency and cost savings you can use to invest in new equipment in your facilities:

- ECM name & description
- ECM name & description
- Operational and maintenance strategies to further reduce energy use (NOTE: don't want to detract from the retrofit projects by focusing on O&Ms, but could list some key ones.)

NOTE: It is necessary only to address the several main ECMs above in order to establish that a performance contracting project exists and to impress an owner with the magnitude of investment that can be made in the facilities through efficiency and cost savings. As a final measure, consider something that is of special interest to the owner – a maintenance nightmare, for example.



Existing Condition

-

Recommendations

-

Benefits

-

ATTACHMENTS

- Building information
- Utility bill analysis
- Engineering calculations and assumptions (project cost and annual cost savings)

ATTACHMENT: BUILDING INFORMATION

NOTE: List ALL buildings owned/operated by the owner (where owner pays utility bills and is responsible for maintenance/construction), even if detailed information is not available. This will be included in an RFP for performance contracting, along with the “Existing Conditions” information from the body of this report and the “Utility Bill Analysis” that follows.

Building Name	Location	Square Footage	Year Built (additions listed separately)	Comments (condition of systems; maintenance issues; etc.)

Maintenance Problems:

- _____

Comfort Problems:

- _____

Future Plans (demolition, sale, bond issue, scheduled replacements, etc.):

- _____

Facility Needs and Wishes:

- _____

ATTACHMENT: UTILITY BILL ANALYSIS

Electricity company: Utility name

Gas company: Name, bulk gas purchasing, rate?

Other:

Annual utility budget: \$ _____ (last year or projected for this year)

Include utility bill information:

- Table of monthly energy units & costs per building (if available)
- Chart/graph if possible
- EUI
- Any utility information that you used in the analysis should be presented here. This information is also critical to the ESCO and will be included in the RFP.

APPENDIX E-5: Project Tracking Log

A Project Tracking Log template is provided below. It is intended for logging communications with the owner from any ESPC program representative.

It is important to track the progress of interactions and services with an owner. This log is intended for program staff members and project facilitators who have direct contact with potential owners. The log serves many purposes; it is a program communications tool; a way to track involvement of various team members with a single owner; a way to track development of a project; a way to get back up to speed on a project that is re-starting after lagging for years; a resource of project details for a future success stories, program information, data projections, etc.; and a log of work performed that is useful for invoicing by project facilitators for Program reporting.

The Project Tracking Log below is intended for Program staff members and contractors who have direct contact with potential owners. It should be used after every interaction with an owner. Customize as needed.

This tracking log is most effective when used with an online application that allows multiple people to post real-time entries and view the entire log.

Project Tracking Log

Date	Activity Type	Description
Date (make entries on the day of the activity)	Phone call, email, on-site meeting, document review, etc.	Provide substantial detail: Overview of discussion including questions/issues, summary of email, summary of review comments, progress, observations, problems encountered, delays, reason for stall, lessons learned, anecdotes, quotes, perceptions noted, anything of interest for a future article, summary of savings/costs projections or results, list of potential/actual retrofits, results to date, projected/actual savings/costs, etc.
	Pre-screening	Include detailed information collected during the pre-screening phase.
	Initial Assessment	Eligible for program services - Yes/no
	Site Visit	

APPENDIX E-6: Technical Assistance Checklist

Below is a checklist for field representatives to track each critical step for technical assistance. The checklist was adapted from the State of Colorado's ESPC program.

Technical assistance providers will review project documents at critical times for the Investment Grade Audit (IGA) contract and the Energy Savings Performance Contract (ESPC) contract phase. These reviews are not part of the legal review of the documents and do not replace the due diligence needed by the owners.

Investment Grade Audit Contract

(This review should be completed prior to the ESCO signing the contract.)

Program Reviewer:

Date Completed:

Reviewers Comments:

- The Program's recommended/approved contract template is being used
- Funding is in place to execute the contract (to be funded later through the ESPC)
- ESCO cost and pricing elements do not exceed pre-agreed amounts (as negotiated during the pre-qualification of ESCOs and ESCO agreement process)
- No additions, subtractions, or changes have been made to the contract without notifying and receiving approval from the owner and the Program reviewer

Investment Grade Audit Report

(This review is complete just prior to finalizing the ESPC contract.)

Program Reviewer:

Date Completed:

Reviewers Comments:

- The report meets the minimum requirements as outlined in the IGA contract Scope of Work
- All ESPC-related legislation is adhered to
- Adequate technical details are provided to follow the methodology and assumptions used to calculate efficiency savings for each measure
- Existing operational assumptions and are confirmed by the owner
- Costs document engineering/design costs, contractor/vendor estimates, markups, etc.
- A measurement and Verification plan is presented and is in line with the contract requirements and Program recommendations
- A commissioning plan is in line with contract requirements and Program recommendations

Energy Savings Performance Contract

(This review should be completed prior to the ESCO signing the contract.)

Program Reviewer:

Date Completed:

Reviewers Comments:

- The Program's recommended/approved contract template is being used
- ESCO cost and pricing elements do not exceed pre-agreed amounts (as negotiated during the pre-qualification of ESCOs and ESCO agreement process)

- No additions, subtractions, or changes have been made to the contract without approval from the owner and the Program reviewer

The pro forma schedule includes all known owner funds, utility rebates, other grants funds, and all potential cost through the length of the financing.



APPENDIX F: Chapter 6 – Program Staffing

Appendix F-1: Program Manager Job Announcement with Task List

Appendix F-2: Administrative Program Assistant Job Announcement with Task List

APPENDIX F-1: Program Manager Job Announcement with Task List

This job announcement for a Program Manager includes academic requirements, required experience and capabilities, and a detailed list of responsibilities. Fill in the highlighted fields and customize this job announcement to suit your needs.

Advertisement

Program Manager for state government program. Focus on energy efficiency in buildings. Full-time position, flexible schedule and location, \$[minimum] to \$[maximum] annual salary, government benefits.

Job Announcement

Name of State Energy Office Address & Contact Information

Job Title: PROGRAM MANAGER – Energy Savings Performance Contracting in Commercial/Institutional Buildings

General Information: Full-time position, state government benefits, flexible schedule.

Salary Range: Personnel Salary Category Listing; \$[minimum] to \$[maximum] starting year.

Academic Background:

4-year college degree or higher preferred. Preferred degree in energy engineering, buildings-related field (engineering, architecture, and/or project management), business, financing, or energy/environment.

Description:

The program manager is a management and energy efficiency professional who will design, develop, and manage a government program to promote energy savings performance contracting (ESPC) for commercial/institutional buildings throughout the state. The program manager will lead a multi-faceted effort involving program marketing, technical assistance for target market sectors, procurement and legal applications, and education/outreach, working with public- and private-sector stakeholders and functioning as the state's advocate and trouble-shooter for ESPC.

Required Experience/Capabilities:

Desired experience includes management, technical, and outreach skills. Specifically, the applicant should have:

1. Program management/administration capability for strategic planning, program trouble-shooting, program design/development, marketing, and overseeing independent consultants or staff members;
2. Experience/knowledge of energy-efficient technologies and implementation strategies to retrofit existing buildings, and a working knowledge of ESPC applications in commercial/institutional buildings (understanding/experience of ESPC includes related procurement/contracting processes, financing approaches, technologies to improve energy efficiency, auditing practices, commissioning approach, monitoring and verification approaches, and project management); and
3. People-related skills; public speaking experience for workshops and trainings; meeting facilitation experience, motivational skills to influence people to move forward on projects, and experience working with government procurement and legal professionals to establish agreed-upon processes.

Employment experience directly involving energy savings ESPC is desired but not required. More than five years of experience in management or ESPC, familiarity with energy efficiency in buildings, and a degree in energy engineering are preferred. Added expertise in any of the following areas is a plus: team leadership, program

management, advanced public speaking skills, data management, renewables applications, energy auditing, facilities/energy management, LEED, commissioning, government decision-making practices, and financing. Professional characteristics demanded of this position include: self-starter, independent worker, creative thinker, and good administrator. General skills include: public speaking, writing, data management, and spreadsheet/word-processing.

Other Experience Desired (any combination): Prior employment involving ESPC; conducting or reviewing energy audits to assess cost and savings of energy-saving measures; knowledge of financing mechanisms; familiarity with government procurement/contracting practices or decision-making practices; professional involvement with state or local governments or non-profits; expertise in Leadership in Energy & Environmental Design (LEED), ENERGY STAR, energy management, or sustainability; knowledge of renewables or water applications/design/assessment; project management related to building construction.

Definition: Energy Savings Performance Contracting (ESPC) is a way to pay for energy-saving equipment through subsequent efficiency savings that are achieved by using the equipment. An energy service company (ESCO) will assess, purchase, install and finance the equipment and then guarantee performance; the annual efficiency cost savings are structured to pay for the annual lease-purchase of the equipment, which is typically financed over a 15-year period.

Task List: Specific activities include:

Management Tasks

Strategic Planning, Design, Development

- Expand the role of ESPC in the state to advance energy-efficient technologies and practices.
- Design, develop, and manage a government program to promote ESPC for commercial/institutional buildings throughout the state, with measurable objectives and milestones.
- Develop the identified Best Practices for successful ESPC programs (see Guidelines, Section 2.4)
- Encourage and maintain high standards for projects to help ensure effective and successful results.

Process Development

- Streamline ESPC procurement processes through requests for proposals (RFP) to pre-screen ESCOs and establish a fee to reimburse services (develop RFP, oversee ESCO review process, refine audit and performance contracts, establish a fee schedule, develop customer outreach materials, and identify and arrange for available financing options).
- Coordinate ESPC practices with purchasing, legal, finance, and administrative professionals to ensure consensus.

Overall Management

- Lead a multi-faceted effort involving program design and delivery, technical assistance for state and local governments, procurement and legal applications, financing, and education/outreach, working with public- and private-sector stakeholders and functioning as the state's advocate and trouble-shooter for ESPC.
- Interact in a team approach with fellow staff members to leverage strategies and contact opportunities.
- Manage all aspects of the program from administration to outreach to customer services

Program Monitoring

- Monitor, evaluate, and report program effectiveness.
- Help develop and design effective program strategies, and implement improvements.
- Track program progress and ensure milestones are met on schedule.
- Collect and update data on energy efficiency projects related to program services.

- Document project results regularly.
- Provide information for press releases, news articles, or websites.

Budget Management

- Plan budgets.
- Track budget(s) and forecast needs.
- Identify grant opportunities and develop proposal strategies.

Staff/Contractor Management

- Oversee professional engineering staff members or consultants who provide direct technical services to help building owners implement projects.
- Determine appropriate strategies and associated level of technical effort needed for staff/consultant tasks and authorize tasks accordingly.
- Develop contractor task orders and approve monthly payment requests from contractors.
- Review engineering reports and products and assess services to ensure quality.

Outreach & Owner Services Tasks

Education/Training/Marketing

- Design and coordinate an outreach campaign to inform targeted building owners about ESPC and lead them to implement projects.
- Provide training and/or develop training materials as needed for targeted audiences and staff members/consultants.
- Give presentations to small and large groups on program services and make the case for implementing ESPC projects.
- Interview potential owners to identify needs and pre-qualify them for program participation, and/or oversee staff/consultants in this role.

Owner Facilitation & Technical Services

- Provide one-on-one, on-site consultation with owners, from initial educational discussions to follow-up implementation of ESPC projects, and/or oversee staff/consultants in this role.
- Educate decision-makers and facilities or administrative staff members to recognize the value and cost-savings that could result from an ESPC project.
- Facilitate the procurement and selection of an Energy Service Company (ESCO) following state procedures and requirements.
- Advise on contract issues, provide negotiating tips, and approve final contracts.
- Participate as a customer's representative in meetings with the ESCO.
- Review ESCO's engineering audit to ensure reasonableness of calculations, cost estimates, and proposed measures.
- Identify funding options and advise owners on ways to leverage ESPC with a variety of funding sources (grants, planned bond projects, available budget, annual funds, etc.)
- Review monitoring and verification scenarios.
- Review the performance contract and advise on technical and financial issues.
- Serve as a trouble-shooter and communications facilitator throughout the process to ensure customers' expectations are appropriate and met by contractor.
- Review follow-up savings reports for reasonableness and conduct low-level monitoring and verification.

- Follow-up with owners to ensure savings are achieved as expected and conduct monitoring and verification as needed.
- Travel as needed throughout the state to work with state and local governments and other Program owners as assigned.

Establish Stakeholder Partnerships

- Develop a formal working relationship with the local energy service company (ESCO) industry and finance industry to implement successful projects, represent the program appropriately to end-users, abide by state/local regulations and program standards, and achieve measurable results.
- Initiate and participate in a public/private partnership to bring public- and private-sector stakeholders and supporters together to leverage outreach and strategic planning efforts.

APPENDIX F-2: Administrative Program Assistant Job Announcement with Task List

This is a job announcement for an Administrative Program Assistant, including an announcement, job description, required capabilities, and a detailed task list. Fill in the highlighted fields and customize this job announcement to suit your needs.

ADVERTISEMENT

Administrative Program Assistant for government office. Full-time position, flexible schedule and location, \$[minimum] to \$[maximum] annual salary, government benefits.

JOB ANNOUNCEMENT

Name of State Energy Office
Address & Contact Information

Job Title: PROGRAM ASSISTANT – Energy Savings Performance Contracting Program

General Information: Full-time position, state government benefits, downtown city location, flexible schedule.

Salary Range: Personnel Salary Category Listing; \$[minimum] to \$[maximum] starting year.

Academic Background:
Four-year college degree preferred or comparable experience.

Description:
Aid the Program Manager of the Energy Savings Performance Contracting (ESPC) Program in all administrative tasks involving procurement, contracting, budget monitoring, coordinating contractors, event logistics, program data collection, and program reporting. Additional tasks may include monitoring facility-owner agreements, coordinating contractor services, and managing the process to pre-qualify energy service companies to participate in the program.

Required Experience/Capabilities:
Administration, government processes, coordination, program reporting, people skills.

Task List:

- Provide general assistance to the Program Manager.
- Pre-qualification of ESCOs: Assist with the procurement and contracting process to pre-qualify ESCOs and maintain annual contracts with ESCOs.
- Owner facilitation: Process facility-owner agreements and help coordinate technical assistance services with ESCOs.
- Technical Assistance Oversight: If contract consultants are involved, handle administration of consultant contracts, invoicing, and payment. Work with accounting, legal, and procurement specialists as needed.
- Education/Outreach: Coordinate educational and outreach event logistics. Coordinate press announcements of events. Maintain website updates.
- Program Budget: Monitor budget status, forecast needs. When a fee-based self-funded program is developed, manage collection of fees and the escrow account, and monitor the cash flow with respect to commitments to fund technical assistance.
- Program Results: Collect project data regularly from ESCOs and maintain a spreadsheet on project results. Help prepare quarterly and annual reports as needed.