Planning for a Successful Energy Savings Performance Contract

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Planning For a Successful Energy Savings Performance Contract
Market Research Findings
Goal

Identify key stakeholder groups and messaging to help state and local governments implement successful ESPCs
Approach - Respondents

Conducted a series of focus groups and one-on-one interviews with:

- 12 state and local governments and industry experts
- Respondents selected from various stages of ESPC implementation (considering ESPC, engaged in first ESPC, and running experienced ESPC programs)
# Approach - Questions

Asked a series of 30 questions about: Motivation, Messaging, Materials, and Implementation

<table>
<thead>
<tr>
<th>Sample Questions</th>
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<tbody>
<tr>
<td>What initiated your interest in ESPC?</td>
<td></td>
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<tr>
<td>Who are your key <em>internal</em> stakeholders?</td>
<td></td>
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<tr>
<td>Who are your key <em>external</em> stakeholders?</td>
<td></td>
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<tr>
<td>Have you encountered any resistance? From whom?</td>
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<tr>
<td>What aspects of ESPC resonate with stakeholders?</td>
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<td>How would you describe the relationship with your ESCO?</td>
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<tr>
<td>Is there anything you would do differently?</td>
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Results

- Responses helped identify areas where ESPCs commonly get “stuck”
- These responses were later grouped into 6 focus areas:
  - Conceptual
  - Organizational
  - Procurement / Contractual
  - Budgetary / Financial
  - Legislative / Legal
  - Operational
Planning For a Successful ESPC

Conceptual

Understand how ESPC works including the nuances of contractual relationships, payback periods, energy conservation measures, and measurement and verification. Planning an ESPC will also require that you be able to make the case for why ESPC will benefit your organization.
Planning For a Successful ESPC

Organizational

One of the first steps to any successful project is finding the right people:

- Identify a project champion
- Build consensus
- Set goals
- Team up
Planning For a Successful ESPC

Legislative / Legal

Legislative bodies throughout the country have almost unanimously passed enabling legislation to allow ESPCs to be implemented in their states. Such legislative language can address issues such as multi-year payment obligations and can ensure that the energy savings are available to reimburse the ESCO. Every state is different, however, so knowing the details of your state’s legislation can make a difference.
Industry organizations and many state energy offices (SEOs) offer various vetted and tested services and tools to assist with ESPC and projects. These resources include technical assistance, such as feasibility studies to determine viability, as well as pre-written contract documents and pre-approved ESCOs. When planning for an ESPC, identify and obtain approval for these resources early.
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Budgetary / Financial

ESCOs can help institutions to arrange financing as part of the performance contract outside of the capital budgeting process. In some states, financing can be arranged as a lease-purchase or municipal lease agreement, which may not count as a debt obligation or liability. Other financing arrangements are also possible. For example, many states prefer to implement ESPCs using funding they secure themselves.
Planning For a Successful ESPC

Operational

Manage operational and performance risks by **addressing potential issues at the contractual phase**. Understand how changes in operating hours, loads, and weather affect ESPC performance. **Determine upfront who is responsible** for operation and maintenance of equipment and repair and replacement down the line.
Questions?
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Planning for a Successful ESPC Project

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Set the Table for Success

- Develop ESPC Program Contracting & Procurement Documents
- Have Clearly Defined Project Development Process
- Include Key Influencers in the Project Development Process
- Identify Project Drivers
- Position ESPC as a Strategy
- Prepare the Site-Specific RFP
Develop Contracting and Procurement Documents

• Vetted Master Contract with Pre-qualified ESCO’s
• Open Book Pricing, Maximum Markups and Fees, GMP
• Competitive Bidding of Trade Work and Equipment with Pre-qualified Sub’s and Spec’s
• Savings Guarantee requires savings be met each year of the guarantee
• Measure & Verification Guidelines
• Startup & Commissioning Guidelines
• Pro Forma Guidelines
• Third-Party Review of Annual M&V Report
• State provided Technical, Financial and Contractual Assistance
## Have Clearly Defined Project Development Process

<table>
<thead>
<tr>
<th>Process Step</th>
<th>Activity</th>
<th>Typical Duration</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>1 – Opportunity Assessment</td>
<td>Meetings with COMM to review GESP, B3 data, facility needs, issues, and goals</td>
<td>1 – 3 months</td>
<td>Joint Powers Agreement</td>
</tr>
<tr>
<td>2 – Define Project Goals</td>
<td>Energy Savings; GHG Emission Reduction; Renewable Portfolio; Building Public Disclosure; Job Creation</td>
<td>1 – 3 months</td>
<td>Issue Site-Specific RFP</td>
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<tr>
<td>3 – ESCO Selection</td>
<td>RFP evaluation and ESCO selection</td>
<td>1 – 3 months</td>
<td>Issue Work Order Contract</td>
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<tr>
<td>4 – Project Development</td>
<td>Perform Investment Grade Audit to develop project scope, cost, savings and funding</td>
<td>3 – 6 months</td>
<td>Issue Work Order Contract Amendment</td>
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<tr>
<td>5 – Project Implementation</td>
<td>Installation of Energy Conservation Measures</td>
<td>6 – 12 months</td>
<td>Certification of Final Completion and Acceptance</td>
</tr>
<tr>
<td>6 – Performance Period</td>
<td>Review Measurement &amp; Verification Reports</td>
<td>5 – 25 years (on-going)</td>
<td>Annual M&amp;V Report</td>
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</tbody>
</table>
Include Key Influencers

Who

- Energy & Sustainability
- Facility Management
- Planning & Construction
- Finance
- Procurement
- Final Decision Makers

What

- Educate on ESPC
- Position as Alternative Financing and Procurement Mechanism
- Obtain Buy-in to the Use of ESPC
### Identify Key ESPC Project Drivers

#### Organizational Goals
- Reduction in Energy Use
- Reduction in Greenhouse Gas Emissions
- Use of Renewable Energy
- Job Creation

#### Facility Issues
- Occupant Comfort
- Health & Safety
- Deferred Maintenance
- Energy Price Uncertainty

#### Resource Needs
- Budget
- Manpower / Capacity
- Expertise
Position ESPC as a Strategy to ...

Reduce
- Energy Use
- Operation & Maintenance Costs

Renew
- Facility Infrastructure
- Occupant Comfort, Health & Safety

Achieve
- GHG Emission Reduction
- Job Creation
- Use of Renewable Energy

Budget Neutral – No Bond Funds Required
Prepare for the Site-Specific RFP

- Building Lists
- Utility Information
- Energy Consuming Systems
- Key Building Issues
- Past Efficiency Improvement Efforts
- Future Site/Building Plans
- Project Goals
Support Contracting Process

• Opportunity Assessment
  • B3 Benchmarking Data
  • Needs, Issues and Goals

• Project Development Assistance
  • ESCO Selection Advisor
  • Contract Document Review
  • Project Implementation Oversight

• Annual Project Performance Evaluation