



Department of Energy  
Washington, DC 20585

July 17, 2009

**MEMORANDUM FOR:** RITA WELLS  
EXECUTIVE DIRECTOR FOR FIELD OPERATIONS

RICHARD KIDD  
PROGRAM MANAGER  
FEDERAL ENERGY MANAGEMENT PROGRAM

**FROM:** CATHY ZOI  
ASSISTANT SECRETARY  
ENERGY EFFICIENCY AND RENEWABLE ENERGY

**SUBJECT:** Implementing Reforms for Department of Energy's (DOE's) use of  
Energy Savings Performance Contracts (ESPCs)

Following the review of the ESPC program led by the DOE Office of Internal Review, I am directing FEMP, in concert with Golden Field Office, to complete a series of program and contract management reforms within the next 100 calendar days. It is my intention that these reforms enhance the already significant contributions that ESPC's make to energy savings within DOE and across the Federal Government, and establish DOE as a model for other agencies to follow, control energy price risk, and maximize the long-term value of DOE's ESPC projects to the American taxpayer.

Specifically, changes should be implemented which result in the following (responsible program element and key milestone date is identified for each action):

- Consistent with the terms of the contracts, reduce the time it takes to design and award ESPC projects including use of "fast-track" procedures.
  - Develop a process in coordination with the Golden Field Office whereby DOE ESPCs that contain only Energy and Water efficiency measures with only a limited amount of renewable power generation (e.g., without lengthy site assessment analysis requirements) will award within 18 months from the completion of the Site Data Package. (FEMP, 9/25/09)
  - Develop a process whereby DOE ESPCs that include renewables requiring lengthier site assessments (such as a wind or major solar project) will be held to the 18month standard, starting with the completion of the renewable, and any associated environmental reviews as part of the Site Data Package. (FEMP, 9/25/09)
  - Pilot test new processes at two DOE sites, review findings and finalize process with revisions by February, 2010. (FEMP, 02/02/10)
  - Require all DOE ESPC new starts comply with the expedited process not later than March 31, 2010. (FEMP, 2/29/10)



- Consistent with the terms of the contracts, increase the amount of direct price-based competition between ESCO's to reduce taxpayer costs.
  - Develop a process to ensure that all of the ESCOs that have been awarded DOE ESPC contracts be made aware of each proposed task order and are encouraged to submit a Proposal/Preliminary Assessment. (FEMP, 9/25/09)
  - Develop detailed proposal requirements to ensure that ESCOs provide enough information to enable a direct price-based comparison relating to projected ECM costs and ESCO mark ups. (FEMP, 9/25/09)
  - Design a program to provide enhanced support to DOE sites in the review of the price related components of the ESCO proposals, including an evaluation of proposed financing costs. (FEMP, 9/25/09)
  
- Consistent with the terms of the contracts, enhance contract management practices and oversight for individual projects.
  - Strengthen DOE training by designing a curriculum that supports all revised processes, (FEMP, 9/25/09)
  - Update the DOE ESPC Review Board procedures to account for the findings of the DOE Office of Internal Review. (FEMP, 9/25/09)
  - Require annual refresher training for all contracting personnel responsible for the development and oversight of DOE ESPC projects. (FEMP, 9/25/09)
  - Ensure Golden Field Office (GFO) review of all DOE contracts prior to award, and also in conjunction with all DOE review boards. (GFO, 7/15/09).
  - Ensure that complete records are kept and updated annually regarding contract "custody" across all DOE ESPC projects. (GFO, 9/25/09)
  
- Establish a full "life of contract" audit function to ensure promised savings are being realized and that all parties are fulfilling their contractual obligations.
  - Ensure that all DOE personnel responsible for key functions relating to the oversight of each DOE ESPC contract are identified and maintained in a database. (FEMP, 9/25/09)
  - Ensure that these individuals are contacted on an annual basis to identify any changes in personnel that may require training or related support necessary to ensure competent contract oversight. All new personnel involved in these contracts will be required to take FEMP training in these contracts. (FEMP, 9/25/09)
  - Ensure that all DOE sites within the performance period are reviewed, on site, at least once every three years. Any sites where significant issues are identified will require a follow-up on-site visit, the following year. (GFO, 9/25/09)
  - Ensure that all DOE sites utilize the services of the FEMP project facilitator throughout the project development, project acceptance, and first year M&V evaluation. (FEMP, 7/15/09)
  - Issue procedures to ensure all DOE sites will utilize the FEMP life of contract support services to ensure contract compliance and DOE staff readiness for contract oversight. (FEMP, 9/25/09)
  
- Seek ways to reduce the borrowing expenses associated with these projects.

- Issue procedures requiring all ESCOs developing DOE projects to evaluate at least 4 competitive financing bids and to provide the DOE CO copies of the financing bids as well as the basis for their selection. (FEMP, 9/25/09)
- Provide services to assist the sites with the review of the ESCOs evaluation and selection of financing. (FEMP, 9/25/09)
- Initiate a process to review the financing process to determine what legislative or programmatic changes would be beneficial to achieve improved financing rates for the ESPC program. (FEMP, 9/25/09)
- Clarify procedures for the sharing of risks associated with energy cost fluctuations.
  - Develop DOE policy guidance relating to responsibilities associated with energy cost fluctuation risk over the term of the contract. (FEMP, 9/25/09)
- Increase focus on reduced carbon emissions.
  - Issue guidance relating to areas that should be addressed by sites in their Site Data Packages to maximize the reductions of carbon emissions. (FEMP 9/25/09)
  - Include carbon emission reduction impacts in its ESPC data collection process. (FEMP 9/25/09)

Progress updates are to be provided to the DAS for Energy Efficiency within the next 30 days, and status should be reviewed by the PDAS at the 50-day timeframe and by me at the conclusion of the 100-day period. I am prepared as SAO to ensure that outputs of this effort are implemented across all DOE Program Offices.