SELF-FUNDED ENERGY SAVINGS PERFORMANCE CONTRACTING PROGRAMS

The Energy Services Coalition offers a collection of tools that represent Best Practices for state energy offices (SEOs) to launch and administer programs to increase energy efficiency through energy performance contracting. The documents draw from successful programs in various states and are continually updated to incorporate the latest strategies. They can be easily customized to meet the needs of any SEO or similar government department. It should be noted that these instruments do not constitute legal advice or legal opinion, but are provided as samples for adaptation to the laws and regulations of the user.

DESCRIPTION: After start-up program costs, savings can pay for the program to offer technical assistance to clients. The states of Washington, Kansas and Pennsylvania have successfully applied this approach and many others including Louisiana are establishing this now. Details of their approaches are described below.

SELF-FUNDED PERFORMANCE CONTRACTING PROGRAMS

Overview

Just as an energy savings performance contract (ESPC) pays for equipment upgrades and related services through the resulting cost savings, it can pay for an oversight fee to cover the state's program costs. A modest fee can be added as just one more cost element in the performance contracting project cost to be financed and paid for through the guaranteed savings stream.

This can be a winning strategy for the oversight agency, the client and even for the Energy Service Company (ESCO). Cash-strapped state energy offices (or other departments that take the lead on ESPC support) can use the funds to provide needed technical assistance to clients. Clients pay for the service through savings so they incur no out-of-pocket expense. With the built-in technical support from the oversight agency, clients have a much easier time initiating and implementing with confidence a performance contracting project. While some savings are diverted from the project measures to cover this added cost, the upside is that more clients and more knowledgeable clients come on-board using a streamlined procurement and contracting approach helping to insure great projects.

The incoming fees typically pay for technical assistance for end-users, generating more and higher quality projects, while ensuring the longevity of the program and continuing project oversight. States that are actively involved in providing educational and oversight services to end-users can kick-start and guide hundreds of millions of dollars in projects in state and local governments. These projects are completed with no additional taxpayer funds - funds that otherwise paid for energy waste. The fees can accumulate to sustain the program expenses, achieving a self-funded program within about three years.

Washington, Kansas and Pennsylvania are successfully using this approach and Louisiana is getting started. Washington's program, assessing fees since 1983, now funds a 14-person staff and related program costs for a total of over $2 million annually, serving projects totaling over $200 million to date.

State Success – Washington

The State of Washington's program has been assessing fees since 1983. The program is now 100% self-funded. Fees support a 14-person staff and related program costs for a total of over $2 million annually. The program has served projects totaling over $200 million to date.

A Self-Funded Program - Overview

- Program provides technical assistance to clients to help clients develop energy savings performance contracting (ESPC) projects
- Clients agree to pay a fee out of ESPC project funds - *no added expense for the client!*
- Fees pay for program services and more!

AT-A-GLANCE

SELF-FUNDED PROGRAM

Overview

- Program provides technical assistance services to clients to help clients develop energy savings performance contracting (ESPC) projects
- Clients agree to pay a fee out of ESPC project funds with no added expense for the client.
- Incoming fees can ultimately pay for 100% of program costs as the State of Washington demonstrates

Program Needs - Issues/Hurdles

- Needs to be part of a full program with other best practices in place or planned
- Need full funding for at least 3 years, ramping down as fees offset budget needs (3-year timeline until program costs *begin* to be balanced by incoming fees - services provided long before fees are collected - 18 months or more)
- Need authority to collect fees – may be standard practice or may need legislation
- Need roll-over authority to retain funds from year to year to provide the multiyear support needed.
- Need cushion funds to avoid going "in the red" at certain times of the year when demand precedes anticipated incoming fees.

State Successes

<u>Washington</u>

- Managed by Department of General Administration.
- Serves state agencies, including higher education, school districts, cities, counties and other municipalities.
- Fees:
  - The fee as initiated in 1983
  - The program has served projects totaling over $200 million
  - Fees support 100% of program costs - $2 million annual account supports 14 state employees (engineers providing TA services) and other program expenses
  - Range from $2,000 for a small project under $20,000 to 1.1% for projects over $5 million
  - Average project fee is $40,000 for a $1 million project, or 4%

<u>Kansas</u>

- Managed by SEO – Kansas Corporation Commission
- Serves state and local governments
- Fees
  - The fee was initiated in 2000
  - The program has served projects totaling $175 million since 2000
  - Support costs of staff and technical consultants; Last year, $365,500 was received from 9 projects.
  - Fees range from 1.3% for a $5 million project to 0.74% for a $17 million project

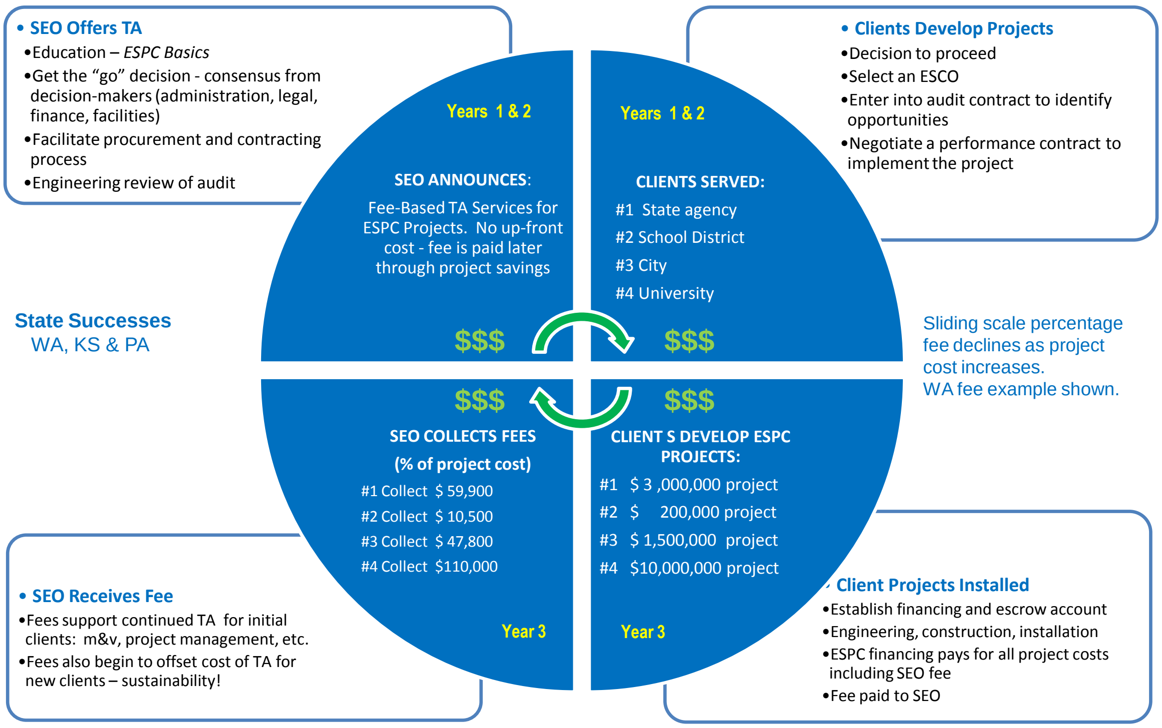
<u>Pennsylvania</u>

- Managed by Department of General Services
- Serves state agencies (free services to school districts and local governments)
- Fees:
  - The fee was initiated in 2007.
  - The program, since 2000, has served projects totaling over $449 million
  - Support costs of expert consultants to augment staff - $260,000 received or committed last year for 7 projects.
  - Range from 4% for a small $100,000 project to 2.3% for a $60 million project

<u>Louisiana</u>

- Managed by Division of Administration, Office of Facility Planning and Control
- Fees:
  - New legislative authorization in 2010
  - Up to 2.5% of project cost

Self-Funded State ESPC Program



Getting Started - Important Criteria to Establish a Self-Funded Fee-Based Program

Plan How to Start-Up a Performance Contracting Program

- Ensure performance contracting is an option for state government. Most states have enabling legislation or administrative rules that authorize performance contracting as a funding mechanism, or have a pilot project in place that already tested the legal issues. Establish consensus among procurement, legal, finance and buildings departments to work through any other barriers for state departments (and local governments) to do performance contracts. Also investigate if local governments have this capability.

- Identify a program manager or point person to develop the program. ESC's resources and technical assistance, in conjunction with mentoring from other states as facilitated by ESC, can offset much of the start-up cost and reduce the program development time.

Determine Level of Service and Fees

- Determine the level of services to be provided. Minimal services include: a procurement process to select ESCOs (pre-qualified list of ESCOs and a process to select the finalist); pre-approved contract templates; project development guidance; engineering assistance to review and make recommendations on the audit and contract documents; and monitoring and verification oversight. ESC's tools and resources can help launch these efforts. Additional services could include: technical oversight of the design and construction process and documents, formal acceptance of documents, a greater degree of technical assistance, etc.

- Determine the amount of the fee for various types of clients and project scopes. Refer to the state examples below. A sliding-scale fee is used – a percentage of the total project costs. Fees are inversely proportional to the size of the project because smaller projects can take just as much up-front project development time as much larger ones. Consider the impact of the fee on very small projects and have a negotiable rate. Consider if fees will augment program funding or

Set-up a Fee Collection Mechanism

- Investigate the authority to assess fees and receive funds from other state departments as well as non-state entities.

    - In the absence of direct legal authority to assess fees, consider these options:
        - Apply the approach used by other state departments, such as the legal or IT departments, that may already provide services to other agencies for a fee.
        - Apply the reimbursement approach. There may be no need to gain authority for a reimbursement payment, accepting funds from other agencies when it can be directly applied to a reimbursable expense. Provide technical assistance through paid contractors, then invoice for reimbursement. Maximum payments may be limited to justifiable reimbursement payments within that year. Only contract services may be eligible for reimbursement rather than staff costs.

   - Further explore the ability to work with non-state entities in this way as there may be fewer obstacles.

- If legislation is required, ESC proposes the following:

  Excerpt from ESC's Model Legislation
  http://www.energyservicescoalition.org/espc/tools/practice02/Model_EPC_Legislation.pdf

  The Energy Office is authorized to fix, charge and collect reasonable fees, not to exceed ____ percent of the total cost of the energy performance contract project, for any administrative support and resources or other services provided by the Energy Office, or its designee, under this subsection from the governmental units that use its technical support services. Governmental units are authorized to add the costs of these fees to the total cost of the energy performance contract.

  At the time of requesting authorization from the legislature, also consider requesting a one-time fund to be used as working capital for program start-up during the first two years and to serve as a "cushion" in subsequent years as described below.

- Establish roll-over authority so that fees received can be rolled over for use in subsequent years. This is critical to provide ongoing technical assistance and to accumulate funds to build a sustainable program.

- Consider when fees will be collected from a client. Fees are usually set-up to be paid by the client through the performance contract funding arrangement, so there is no budget burden for the client to pay the fee. Fees are paid by the client through a draw on the financing, through the client's established escrow account.

- Establish a cushion in the fund to keep it in the "black," or determine if the fund can go in the "red" at times as long as it is in the "black" at the end of the fiscal year, or establish a temporary alternative funding source. This is important since the demand for services (outgoing funds) may not be in alignment with expected incoming fees.

- Determine if fees can be financed and rolled into the financed project cost and therefore be paid out of the funds that pay for the project. If fees cannot be financed, arrange for the fee to be paid from savings that occur during the construction period.

- Ensure fees will remain in a fund exclusively for the use of providing services as committed to each fee-paying client, with full recognition that funds are needed in future years to provide technical assistance as committed to clients. Avoid "raids" of funds for other purposes.

Program Budget Planning

- Determine when your program will begin requiring clients to pay fees: initiate fees at the onset of the program to start on the path toward a sustainable self-funded program; announce a future time when fees will be assessed and provide free services until that time (this has the added benefit of incenting clients to get started early and avoid the fee); or have a phased approach based on market sector where smaller projects or certain market segments may be excluded from the fee.

- Recognize that it may take over two years or longer to approach a fully self-funded program.
    - If the state does not have a performance contracting program in place, the first year may involve program start-up activities to pre-qualify ESCOs, get contracts pre-approved and work through other legal and finance issues, then launching an educational campaign to bring-in potential clients.
    - With a formal agreement in place to provide technical assistance for a fee, substantial technical assistance is provided in advance of collecting the fee. This assistance includes helping the client decide to do a performance contracting project, selecting an ESCO, entering into an audit contract, reviewing the audit, negotiating and finalizing the performance contract, participating in the design process, and overseeing construction to its end.
    - Fees typically cannot be paid in advance of services. The full fee is typically collected when construction is completed which may be 15 months or more after the first contact with a client. Consider collecting the fee in increments from the time the escrow account is established in order to reduce this time delay.

- The budget needs to provide for loss-leaders where technical assistance is provided and no fee is collected. Some preliminary technical assistance will be provided to help clients explore the concept and some clients may choose not to move forward so no fee will be collected.

- Prepare for varying demands on the budget where outgoing funds to pay for technical assistance may not be on the same timeline as expected incoming fees.

- Ensure that long-term commitments made to each client can be met through the fees collected and/or a combination of fees and supplemental program funding. The negotiated timeline for providing services could be for the first three years or as long as the entire lifetime of the financing agreement which may be well over 10 years.

Start-Up Working Capital

<u>Existing Programs</u>
Programs that already have a budget or staff to provide technical assistance essentially have working capital in place provided the budget can be sustained until fees meet the budget need. The budget can ramp-down from year to year as fees begin to compensate, with a goal of sustaining a self-funded, self-sustaining program within two to three years.

<u>Start-Up Programs</u>
- In an ideal case, the program would have start-up working capital, and/or dedicated technical staff, to overcome the considerations mentioned above regarding program budget planning.

- Establish a fund to be used as working capital for program start-up during the first two years and to serve as a "cushion" in subsequent years. One potential source of funds could be grants. An investment of grant funds (e.g., state energy offices could seek funds through the State Energy Program) could be repaid or repurposed over time, like a revolving fund.

Conclusion:

Today more than ever states have recognized the need to investigate and institute a self-funding component to their Energy Savings Performance Contracting Programs. As just another of the key attributes of Best Practices Programs, (http://www.energyservicescoalition.org/espc/tools/index.html) self-funding insures that program administration, oversight, and technical assistance support be available long term to insure that states (and in some cases local governmental entities) can enjoy the economic, energy and environmental benefits of ESPC with the confidence and expertise of a structured and well administered program. Experience indicates the need for a balance between the assessment of fees for project support and the impact those fees have upon an individual project's scope of work that can be completed from savings. Reasonable fees, structured with a program to insure its economic sustainability, may be the difference between the completion of great projects with mitigated risks for end users and providers alike or any ESPC program at all.

STATE SUCCESSES

Washington

Kansas

Pennsylvania

Louisiana

WASHINGTON

Program Overview, Clients and Services

The State of Washington, through its Department of General Administration (GA) has served projects totaling over $200 million. GA pioneered the self-funded program approach in 1983 by charging a fee to clients in return for program services. Performance contracting's pay-through-savings approach provides a funding source to pay for the fee.

Clients include state agencies, higher education, school districts, cities, counties and other municipalities. Most end-users take advantage of GA's services rather than going it alone. GA often hears, "you took care of it for us – we didn't have to work with accounting, purchasing or other process offices," said Roger Wigfield, GA's Energy Program Manager.

Washington's very in-depth services include: 1) program administration to pre-qualify ESCOs and establish state-approved contracts, ESCO selection assistance;, engineering oversight of the audit, performance contract documents, and measurement and verification process; 2) contract negotiation of technical, financial and legal issues; 3) construction management oversight through the design, construction and commissioning process; 4) shared risk, as the state actually holds the agreement with the ESCO on behalf of the client.

Authorization/Legislation to Collect Fees:

The Department of General Administration (GA) traditionally assesses fees for its broad range of architectural and engineering services. Implementing this fee-based self-funded program was business as usual for the department.

Fee Amount

A sliding fee is based on the size of the project, ranging from 1.1% for projects over $5 million to a flat fee of $2,000 for projects under $20,000 (see attached fee schedule). The average sized project is under $1 million for an average fee of $40,000 per project.

Fee Payment Schedule

The fee is determined at the end of the preliminary audit, added to the project scope, financed along with the retrofit measures and paid to GA by the client at the end of construction.

Managing a Self-Funded Program

The program is 100% self-funded through fees from about 50 projects a year providing a budget of over $2 million annually. This covers the costs of 14 state employees, most who are project managers, and other program expenses.

It is a challenge to manage program costs. Projects take 18 months to develop. Each project manager manages 10 to 14 projects at a time. Services are being provided long before construction is completed, when the fee is collected. The program had to be front-funded until it could support itself. It was also critical to build a reserve fund, as there are dips and valleys in cash-in and cash-out over the year. The program

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tries to maintain a working capital balance of 3 to 6 months and a reserve to carry-forward to the following year.

Fee Schedule
State of Washington

2009-11 Interagency Reimbursement Costs
for Project Management Fees to Administer Energy/Utility Conservation Projects

TOTAL PROJECT VALUE		MANAGEMENT FEE	TERMINATION
$5,000,000 - or more		1.1% of project cost	$25,500
Below 5,000,000		$68,800	$25,500
"	4,000,000	64,900	23,600
"	3,000,000	59,900	21,700
"	2,000,000	52,800	19,600
"	1,500,000	47,800	17,150
"	1,000,000	40,800	16,150
"	900,000	38,900	15,000
"	800,000	36,900	13,950
"	700,000	34,600	12,800
"	600,000	31,900	11,500
"	500,000	28,700	10,100
"	400,000	24,800	8,800
"	300,000	19,800	7,300
"	200,000	10,500	4,400
"	100,000	6,500	3,000
"	50,000	4,000	2,000
"	20,000	2,000	1,000

1. These fees cover project management services for energy/utility conservation projects managed by GA’s Energy Program.

2. Termination fees cover the selection and project management costs associated with managing the ESCO's investment grade audit and proposal that identifies cost effective conservation measures if the CLIENT decides not to proceed with the project through GA.

3. If the project meets the CLIENT’s cost effectiveness criteria and the CLIENT decides not to move forward with a project, then the CLIENT will be invoiced per Termination or $25,500.00 whichever is less. If the CLIENT decides to proceed with the project then the Agreement will be amended per Attachment B for Project Management Fee.

4. If the audit fails to produce a project that meets the CLIENT’s established Cost Effectiveness Criteria, then there is no cost to the CLIENT and no further obligation by the CLIENT.

Kansas

Program Overview, Clients and Services

The State of Kansas, through the Kansas Corporation Commission's Facility Conservation Improvement Program (FCIP), established a fee-based approach in the initial roll-out of its performance contracting program. Clients are generally willing to pay the fee since the FCIP process streamlines procurement and provides project oversight. Since its start in 2000, the program has served projects totaling $175 million.

Clients include state agencies, higher education institutions, municipalities, counties and schools.

FCIP provides the process and procedural framework, with staff and contract consultants who function as advisors to assist clients in each step of the performance contracting process to ensure successful projects. Services have an emphasis on monitoring and verification options and the assumption of risk, including mediation services if disputes arise. FCIP also provides for streamlining of procurement processes for smaller units of government via "piggybacking" on the state's contract with ESCOS.

Authorization/Legislation to Collect Fees

Legislation authorized the FCIP program to collect fees.

Kansas State Statute: 75-37,125 (4)(e)): The state corporation commission may provide administrative support and resources available under the facility conservation improvement program ….as requested by school districts, private and public colleges in Kansas, political subdivisions, state agencies or federal entities…The state corporation commission may fix, charge and collect reasonable fees for any administrative support and resources or other services provided by the state corporation commission under this subsection.

Fee Amount

Fees have a declining rate ranging from 4% for a $100,000 project, to 3.3% for a $300,000 project, to 1.3% for a $5 million project, to .74% for a $17 million project (see fee schedule below).

Fee Payment Schedule

The fee is not established until after the audit is completed. The fee is built into the performance contract and supported through guaranteed savings. Fees are then collected at the end of construction.

Managing a Self-Funded Program

The program was started in 2000. After several years of operating the program substantial funds started rolling in. FCIP uses the funds to pay for staff and some technical assistance contractors.

Fees received in Fiscal Year 2010 totaled $365,492 from 9 projects totaling $28,298,406.

The funds are kept in a regular State of Kansas account. To keep the fund out of the red while meeting the varying demand for technical services, a cushion is available to cover costs that mount up in the beginning of the year. Per statutory requirement, FCIP does not charge more than needed to operate the fund, so the fund balance does not grow significantly.

For more Information

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http://www.kcc.state.ks.us/energy/fcip/index.htm

Fee Schedule
State of Kansas
(in effect as of November 2010)

FCIP FEE SCHEDULE	1st $100k	Next $400k	Next $500k	Next $4m	Over $5 m		
Total Project	**4%** **$0-100k**	**3%** **$100k-$500k**	**2%** **$500k - $1m**	**1%** **$1M - $5 M**	**0.5%** **Over $5 M**	**Fee**	**Fee**
$ 100,000	$4,000	$0				$4,000	4.00%
$ 200,000	$4,000	$3,000				$7,000	3.50%
$ 300,000	$4,000	$6,000				$10,000	3.33%
$ 400,000	$4,000	$9,000				$13,000	3.25%
$ 500,000	$4,000	$12,000	$0			$16,000	3.20%
$ 600,000	$4,000	$12,000	$2,000			$18,000	3.00%
$ 700,000	$4,000	$12,000	$4,000			$20,000	2.86%
$ 800,000	$4,000	$12,000	$6,000			$22,000	2.75%
$ 900,000	$4,000	$12,000	$8,000			$24,000	2.67%
$ 1,000,000	$4,000	$12,000	$10,000	$0		$26,000	2.60%
$ 2,000,000	$4,000	$12,000	$10,000	$10,000		$36,000	1.80%
$ 3,000,000	$4,000	$12,000	$10,000	$20,000		$46,000	1.53%
$ 4,000,000	$4,000	$12,000	$10,000	$30,000		$56,000	1.40%
$ 5,000,000	$4,000	$12,000	$10,000	$40,000	$0	$66,000	1.32%
$ 6,000,000	$4,000	$12,000	$10,000	$40,000	$5,000	$71,000	1.18%
$ 7,000,000	$4,000	$12,000	$10,000	$40,000	$10,000	$76,000	1.09%
$ 8,000,000	$4,000	$12,000	$10,000	$40,000	$15,000	$81,000	1.01%
$ 9,000,000	$4,000	$12,000	$10,000	$40,000	$20,000	$86,000	0.96%
$ 10,000,000	$4,000	$12,000	$10,000	$40,000	$25,000	$91,000	0.91%
$ 11,000,000	$4,000	$12,000	$10,000	$40,000	$30,000	$96,000	0.87%
$ 12,000,000	$4,000	$12,000	$10,000	$40,000	$35,000	$101,000	0.84%
$ 13,000,000	$4,000	$12,000	$10,000	$40,000	$40,000	$106,000	0.82%
$ 14,000,000	$4,000	$12,000	$10,000	$40,000	$45,000	$111,000	0.79%
$ 15,000,000	$4,000	$12,000	$10,000	$40,000	$50,000	$116,000	0.77%
$ 16,000,000	$4,000	$12,000	$10,000	$40,000	$55,000	$121,000	0.76%
$ 17,000,000	$4,000	$12,000	$10,000	$40,000	$60,000	$126,000	0.74%

Pennsylvania

Program Overview, Clients and Services

DGS is the only agency to authorize performance contracting projects for state agencies through its Guaranteed Energy Savings Act (GESA) program. Because of DGS' work within the state energy office, DGS also works with school districts and local governments. DGS provides fee-based services to state buildings and free less-intensive facilitation services to local governments. Since 2000, the program has served projects now totaling $449 million and began assessing fees in 2007.

"The more services we're structuring to offer, the more important this fee-based service becomes," said Bruce Stultz, Director of Energy Management.

DGS' eight-person energy management staff along with outside consultants provide a full range of services including: scope development, assess project viability, develop project timelines, RFP review and scoring, audit evaluation, develop a sound performance contract agreement, participate in construction meetings, guidance on funding options, and post-project measurement and verification, as well as LEED-EB and ENERGY STAR certification support.

Authorization/Legislation to Collect Fees: The Department of General Services, as a service agency, has historically passed on some of its cost of services to customer agencies. To keep a budget-neutral approach to ESCO projects a service fee is collected directly from the ESCO.

Fee Amount

A nominal sliding-scale fee is set in each state agency's performance contract and supported by the guaranteed energy savings - $15,000 for a $1-2 million project or $60,000 for a $10-$20 million project. See fee schedule below.

Fee Payment Schedule

The fee is collected from the ESCO instead of the agency. When the ESCO is paid its first draw during the construction period through the financed escrow account, the ESCO makes the payment to DGS.

Managing a Self-Funded Program

The DGS GESA Management Fee was established in 2007 to support ongoing services to Commonwealth agencies participating in the GESA program. Funds are also used for DGS Energy Management Staff training and ongoing education.

As an example, fees received in the recent 12-month period include:

5 projects received	$145,000
2 projects pending	$115,000
TOTAL	$260,000

DGS holds the fees in an escrow account which is carried through over multiple years in order to make payments to the consultants when needed.

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It was started about two years ago, with a huge demand about 1-1/2 years ago. "We were working in the red for a while before the projects closed and we're just now getting into the black."

This income enables DGS to bring in expert advisors to provide direct technical assistance to DGS and participating state agencies. It also provides creative options for the clients as they explore various technical alternatives with the help of the consultants.

"The more services we're structuring to offer, the more important this fee-based service becomes," said Bruce Stultz, Director of Energy Management. These funds ensure ongoing support for each project to maintain and maximize project savings. Consultant services help maximize project opportunity and minimize project risk through a constant review of all projects implemented by Commonwealth agencies. As Commonwealth agencies struggle with resources, the addition of consultants helps to move more projects through the process ensuring a quicker turnaround of project opportunities. These resources also allow the customer agency ownership of the project decisions while accessing expertise to make clear long term scope decisions.

Fee Schedule
Commonwealth of Pennsylvania
GESA Management Fee Schedule

Total Amount of Project			Total $ Flat Fee
$ 100,000	to	$ 199,999	$ 4,000
$ 200,000	to	$ 299,999	$ 5,000
$ 300,000	to	$ 399,999	$ 6,000
$ 400,000	to	$ 499,999	$ 7,000
$ 500,000	to	$ 599,999	$ 8,000
$ 600,000	to	$ 699,999	$ 9,000
$ 700,000	to	$ 799,999	$ 10,000
$ 800,000	to	$ 899,999	$ 11,000
$ 900,000	to	$ 999,999	$ 13,000
$ 1,000,000	to	$ 1,999,999	$ 15,000
$ 2,000,000	to	$ 2,999,999	$ 20,000
$ 3,000,000	to	$ 3,999,999	$ 25,000
$ 4,000,000	to	$ 4,999,999	$ 30,000
$ 5,000,000	to	$ 5,999,999	$ 35,000
$ 6,000,000	to	$ 6,999,999	$ 40,000
$ 7,000,000	to	$ 7,999,999	$ 45,000
$ 8,000,000	to	$ 8,999,999	$ 50,000
$ 9,000,000	to	$ 9,999,999	$ 55,000
$10,000,000	to	$19,999,999	$ 60,000
$20,000,000	to	$29,999,999	$ 80,000
$30,000,000	to	$39,999,999	$100,000
$40,000,000	to	$49,999,999	$120,000
$50,000,000	to	$59,999,999	$140,000

Make Checks payable to: The Department of General Services
Checks are due: thirty (30) days after approval of first project payment request.

Louisiana

For more Information

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http://www.doa.louisiana.gov/OCR/ESPC.htm

Program Overview, Clients and Services
The self-funded aspect of the program is being designed in 2010.

Clients include state agencies and higher education institutions.

Authorization/Legislation to Collect Fees:
Recent legislation authorizes the agency to collect a fee:

RS 39:1496.1 (http://www.legis.state.la.us/lss/lss.asp?doc=95975): (3)(a)(i) In order to fund the cost of the evaluation, review, approval, oversight, and performance audits as provided in this Section, the request for proposal for the award of a performance-based energy efficiency contract shall require the proposer to pay a sum not to exceed two and one-half percent of the total value of the performance-based energy efficiency contract at the time that a contract is executed by that proposer.
(b) The determination of the sum to be paid shall be made by the commissioner of administration according to the rules and regulations adopted pursuant to this Section.
(c) The "Energy Performance Contract Fund", hereinafter referred to as the "fund", is hereby created in the state treasury. After compliance with the provisions of Article VII, Section 9(B) of the Constitution of Louisiana relative to the allocation of monies to the Bond Security and Redemption Fund, the treasury shall deposit into the fund an amount equal to the amount collected pursuant to Subparagraphs (a) and (b) of this Paragraph. The monies in the fund shall be used only to fund the requirements of this Section and the rules promulgated pursuant thereto. Monies in the fund shall be invested in the same manner as monies in the state general fund and any interest earned on the investment of monies in the fund shall be credited to the fund. Unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund.

Fee Amount
Legislation authorizes up to 2.5% for state agencies, including higher education institutions. At present, the program will assess that flat rate for every project regardless of size. As program funding permits in the future, a fee schedule or other sliding scale may be established.

Fee Payment Schedule
The ESCO must pay the fee at the time the contract is executed.

Managing a Self-Funded Program
The fund will support the cost of the evaluation, review, approval, oversight, and performance audits. Monies remaining at the end of the fiscal year will remain in the fund.

Fee Schedule
State of Louisiana

Total Amount of Project	Total $ Flat Fee
Any amount	2.5%

Other

States have long been resourceful about program funding strategies.

Maryland collected fees from performance contracting projects of state agency clients in a manner similar to those states highlighted. No additional information was available at the time of this release.

Some states that manage bond funds, revolving loan funds or utility programs have used a management fee to support program efforts.

This paper did not attempt to identify all states using a self-funded approach, as the purpose was to highlight some state examples.