Timothy Unruh: Hello. I'm Timothy Unruh, Program Manager for the Department of Energy's Federal Energy Management Program. Welcome to the 2012 series of First Thursday Seminars. This year, FEMP is expanding its training course offerings to help you gain the core competencies necessary to fulfill the Federal Building Personnel Training Act. Furthermore, we recognize the ever-increasing challenge to making our buildings the best performing they can be. We believe that expanding our training and building performance improvement, especially in energy efficiency, can make our workforce best in class. This training will focus on core competencies to meet key job performance goals. We want to provide you with real on-the-job skills that make a difference.

First Thursday Seminars will help you obtain project funding through a streamlined ESPC process tailored to meet the needs of small sites; place UESC task orders under a GSA areawide contract; identify, select, and deploy new and underused technologies to drive markets and accelerate change; achieve the greatest possible energy and cost savings through deep retrofits and identify critical opportunities and implement action plans to achieve energy security in federal facilities. The new knowledge and skills in these seminars will help you do your job better, help your agency reach its energy, water, and other building performance and sustainability goals, and help our government save taxpayer dollars. Through our efforts, we want to make the federal building stock a place of innovation and high performance and efficiency, basing our success on the measured results that we achieve.

Visit the FEMP website for the most up-to-date information, view archived seminars online 24/7, and register for upcoming seminars. We also hope you will take a few moments to provide us with important feedback through the evaluation at the end of this program. Together, we can continue to learn, improve our core competencies, and meet new energy challenges with confidence. Enjoy the seminar and thanks for joining us.

Kathy Hyland: Hello. Welcome to the Federal Energy Management Program's First Thursday Seminars. I'm Kathy Hyland and I will be your moderator today. This is the final course in the 2012 series and it's focused on placing task orders under a UESC GSA areawide contract. If you'd like to call in a question, do so immediately after the presentation. From time to time on your screen, you will see an e-mail address, a fax number, and a phone number to pose your questions.

Our instructor today is Julia Kelley. Julia Kelley is a group leader of the Residential, Commercial, and Industrial Energy Efficiency Group at Oak Ridge National Laboratory. Julia is experienced in utility demand-side management and building energy efficiency technology deployment programs. Miss Kelley provides support to FEMP as a member of the UESC training team as well as the Federal Utility Partnership Working Group Steering Committee.

We also have with us today live from the Department of Energy Federal Energy Management Program, David McAndrew. David leads FEMP's Utility Partnerships Project. He is also responsible for review and approval of utility contracts at DOE facilities nationwide, including technical oversight of DOE's Utility Rate Intervention Program.

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On the first slide that we have for you today, we have included FEMP's mission statement for your information.

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Also listed on your screen are the core competencies this seminar is designed to address.

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As a result of completing this course, the goal is that you will work step-by-step with your utility partner to implement a utility energy service contract under a GSA areawide contract.

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Our agenda for today is to provide a brief UESC background and a brief explanation of the GSA areawide contract, the relevant FAR clauses, the key contract action step by step, and then finally, we'll review resources that are available to assist you.

So let's get started. Julia, I'm turning it over to you.

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Julia Kelley: Thank you, Kathy, and thank you, everyone, for joining us today. As we move forward into taking a look at the background information behind UESC, there's no better place to start than with a definition of a utility energy service contract. Really the core of these contracts is that they represent a partnership, a partnership between a federal agency site and their serving utility provider that is the franchised territory utility company that serves that site. Under a utility energy service contract, the utility company can work with the federal site to identify their needs for energy efficiency improvements, water efficiency improvements, and renewable energy technologies to help them meet their goals. They can provide financing to front the capital cost. They can get these technologies installed at the site and then you, the federal agency representatives, pay the utility back over the contract term. And the funds that you use to pay that contract back are the funds that you derive from the energy cost savings from the improvements at your site. It's a great partnership that enables you to accomplish a lot at your federal facility.

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Utility companies offer a variety of incentive programs to large commercial customers and federal customers in their service territories and a UESC is just one of these types of incentives. The incentives can be described as being either technical incentives or financial incentives. Many of the technical incentives look a lot like the steps involved in a UESC project like going through an audit, a feasibility study, the engineering and design, and then the construction of that project. Other technical services offered by the utility companies include performance assurance, training on the new equipment that you're getting installed, operations and maintenance plans for that equipment, and project management services. The financial services that utilities can offer to your site include as we've said overall project financing to get the project in place but also specialized rebates and incentives perhaps for special types of equipment that are energy efficient and new and emerging technologies. To find out what your utility company offers in these areas that they can use to help you, contact your utility company representative and they can talk you through exactly what they have to offer.

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Now what are the regulations that actually allow you to enter into a utility energy service contract with your utility partner? That is found in the Energy Policy Act of 1992 which was codified as 42 U.S. Code 8256 and under that code is Section 546C, Utility Incentive Programs. This is where agencies are authorized and encouraged to participate in utility programs that are generally available to the customers of that utility. It is also where you have the authority to accept financial incentives, rebates, et cetera, from your utility

company. And furthermore, it really encourages all federal agencies to enter into negotiations with your utility to design a program that meets your needs. Now this code, 42 U.S.C. 8256, applies to all federal agencies.

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There's also 10 U.S. Code 2913, which is an additional authority for the Department of Defense to enter into these UESC agreements. The language in this code is very similar to the language in 2856 but it does have some additional items in it. One of the additional items is applicable where your utility company has subcontracted some of the work associated with the UESC to an energy service company or ESCO. When that takes place, this code allows the federal site to have the ESCO, the utility company, both at the table as you're planning and mapping out your strategy and developing your project.

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Now I know that many of you in the audience today are very familiar with the legislation and executive orders that mandate these energy efficiency improvements and water efficiency improvements at federal sites. One of the most recent of these has been the presidential memo of December 2, 2011 which charges the federal sites to fully implement projects with a payback of ten years or less. It furthermore challenges federal agencies to enter into a minimum of $2 billion in performance-based contracts in federal building energy efficiency by the end of December of 2013. Agencies in this memo were encouraged to use a broad-brush approach and develop comprehensive projects in partnership with performance-based contract providers. The definition of performance-based contracts in this memo included utility companies and the full text of the memo is available at the web link at the bottom of this screen.

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Just to make sure it's clear, UESC contracts will count towards that challenging goal in the presidential memo provided they meet certain performance requirements and those requirements include performance assurance or guarantees or measurement of savings through commissioning or retro commissioning or requiring competition or an alternative analysis in the case where you have more than one serving utility at your site that you could potentially work with. All of this is perfectly consistent with FEMP's existing best practices related to performance assurance for utility energy service contracts and I'll be telling you later in the seminar where you can get more information on that.

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Before we go on with the rest of our seminar, I wanted to highlight an example UESC project for you and I want to thank the U.S. Coast Guard for allowing us to share information about their recently awarded project in District 7. This project is particularly exciting because the U.S. Coast Guard chose to do a project that involved their serving utility company that serves multiple Coast Guard sites in Florida. They use the GSA areawide to do this and they're implementing over $6 million of capital improvements across these facilities.

One of the great things about this project is that it followed along with a very important best practice that FEMP recommends every time and that's that you take a comprehensive team effort with your project. The folks at the U.S. Coast Guard engaged their contracting and acquisition team, the technical representatives for each of these sites, their headquarters representative was very supporting, and so all across the board they worked together to make this project possible. Thank you, U.S. Coast Guard, for

letting us share a little bit about your project and we're looking forward to hearing more about it as construction concludes.

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Next we'd like to take a look at the GSA areawide itself and give a brief explanation of the GSA areawide before we move on and that will help set the stage for using it for your utility energy service contract.

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Under the Federal Acquisition Regulation Part 41 Acquisition of Utility Services, that's where utility services are defined and that's also where the General Services Administration authority comes from to establish policies and procedures for all federal agencies for the acquisition of utility services. Under FAR Part 41, GSA can delegate authority to other federal agencies so that you can purchase utility services and under this FAR, GSA can issue areawide contracts. They enter into these areawide contracts with utility companies across the country for utility services within that utility's franchised service territory. If you'd like a listing of all of the utility companies that have GSA areawide in place, visit the General Services Administration Energy Center of Expertise Library and then scroll down to where it says Utility areawide Contracts and you'll find that link.

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For a little bit more of an explanation about the GSA areawide contracts, here's a diagram that can help us move through this. They are where utility services are placed using FAR Part 41. So you're familiar with getting utility services with these areawide contracts like electricity, natural gas, and water, and electric distribution to your site.

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GSA areawide contracts also enable other utility services like utility energy management services as authorized under 42 U.S. Code 8256 that we just talked about. This is where utility energy service contracts fit and they are a type of comprehensive project where financing is an option to you.

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Taking another look at the GSA areawide of course as showing on the diagram on this screen, GSA and the utility company enter into an areawide contract together. Using this areawide contract for a utility energy service contract is the most common process for doing UESCs and it's the assumption that we're going to follow for the rest of this workshop that you're going to do your UESC under the GSA areawide. Agencies can place task orders under that existing areawide for energy management services. They can place it directly under the areawide, or if you choose, you can establish a master agreement. That would be useful if you plan to have multiple contracts over several years with your serving utility company. But if you want to move forward with your first project now, you're welcome to place that task order under the areawide directly. Your task orders for utility energy service contracts can have terms up to 25 years in accordance with a GSA legal opinion on that contract term.

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Now GSA also wants to make sure that you are using the areawide contract correctly and so they have established some criteria for it. The energy conservation measures in your

UESC project have to reduce energy or water consumption or demand. They must be directly related to energy or water use or demand reduction. It's not okay to use the UESC agreement or the GSA areawide to do activities that are general facility improvements like re-carpeting or painting. This is strictly to do energy efficiency and related improvements at your site.

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Under those criteria, though, you have a broad brush of energy conservation measures that you can deploy at your site. I'm not going to read this whole two-column list to you but just recognize that there's not too many things you can't do in terms of energy efficiency improvements, renewable energy deployments, and general activities such as advancing metering, appliance and plug load reductions, to help you achieve your federal legislative mandates.

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I'm going to talk a little bit later in the broadcast about the wealth of resources that FEMP and GSA can share with you to help make moving forward on your UESC project easier but right now, I did want to share with you one of those tools and that is the UESC enabling documents book. FEMP has issued this book and it includes a wealth of information like the legislation and executive actions related to UESCs, information on sole-source or limited-source basis arrangements for your UESC, legal opinions and other agency guidance, and perhaps most importantly, sample documents, a sample template, that we think contains about 70 to 80 percent of the language that you'll need for your UESC task order. The web link to download this helpful book is available at the bottom of this screen.

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Now as I mentioned, the UESC enabling documents book contains information on legal opinions, various questions have arisen over time about the utility energy service contract and so GSA and other agencies have stepped in to answer some of the questions about UESCs. They've issued legal opinions as shown here on the authority to enter into utility agreements and that you can enter into these agreements for terms greater than ten years. They've issued an opinion on the exception from Competition and Contracting Act's Full and Open Competition. That is where your authority comes from to do either a limited—source or sole-source arrangement with your franchised serving utility company to get started on your UESC project.

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In addition, there are alternative finance guidance memoranda associated with UESCs. These were issued by the Federal Utility Partnership Working Group and they were approved by the senior energy officials with each federal agency. One of the alternative finance guidance memoranda has to do with the relationship of Anti-Deficiency Act to multiyear contracts under the Utility Incentive Program and it allows you to not have to have all the costs upfront to enter into these multiyear contracts. There's no conflict with the Anti-Deficiency Act for these multiyear contracts with your utility provider. There's also Alternative Finance Guidance Memoranda No. 4, which responded to questions about funding sources for utility energy service contracts, and shows that the contracting officer has discretion to use funding sources that they deem appropriate to pay for these multiyear contracts under the Utility Incentive Program.

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The next section of our seminar will take us through a look at some of the federal acquisition regulations relevant to utility energy service contracts with the GSA areawide.

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Now I'm anticipating that many in our audience today are the contracting officers and acquisitions staff that are responsible for many different federal contracts at your facility. So you know better than I do that there are certain FAR clauses that are required to go into every contract that the federal government issues and that's certainly no exception for these utility energy service contracts. But in addition to those contracts that are in every federal contract, we want to talk about the FAR clauses particular to the GSA areawide agreements. Now bear in mind that when GSA was establishing these agreements with different utility companies across the country, they did this over a period of time. So not all of those areawide contracts are identical in their language. They will vary as to which of the supplemental FAR clauses they contain.

For a really good list of those supplemental FAR clauses, please refer to the UESC enabling documents book that I mentioned earlier in the broadcast and also to Section 14 and Exhibit B of an existing areawide contract. You'll find an example areawide contract on the GSA website where their energy center of expertise is that I mentioned earlier in the broadcast. Examples of FAR clauses that you might very likely find in these areawide contracts include termination for convenience, competition in subcontracting, which is very important for utility energy service contracts, a small business subcontracting plan, and even FAR clauses related to printing and copying on double-sided, recycled paper.

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Now what about the FAR clauses that you need to choose as a contracting officer to meet the specific needs of your individual UESC project at your site? FEMP has some recommended best practices that you can follow as you choose the appropriate FAR clauses. Bear in mind that they very much do depend on the project, except of course those that are required for all government contracts. If the clause is already in the GSA areawide, you don't have to call it out again in the UESC task order agreement, so that can save you some time. And then also, if your task order is for a relatively simple project, maybe a lighting change at your facility, you don't need to include all the FAR clauses and your task order that relate to much more complex renovation or construction projects. As you're thinking about the FAR clauses that you want to put in your task order for your UESC project, bear in mind the order of precedence rule found in FAR Part 41, that the task order FAR clauses trump the FAR clauses in the areawide agreement if there's any conflict or discrepancy between them.

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Two additional FAR clauses I wanted to draw your attention to are those related to energy efficient product procurement. Keep in mind that with your UESC project, wherever you or your utility company or one of your utility company's subcontractors is going to purchase equipment that's going to be installed at your federal site, they are required to buy Energy Star and FEMP-designated products where appropriate. These two FAR closes, FAR subpart 23.2 FAR 52.223-15 provide more details on that and you can find more information also on the FEMP energy efficient product procurement website at the bottom of the screen and the Energy Star qualified products website at the bottom of the screen.

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Kathy Hyland: Now let's here from David McAndrew. David will also be available to answer your questions at the end of the presentation.

[Music playing]

David McAndrew: Hello. I'm David McAndrew, lead for the Federal Energy Management Program's Utility Partnerships Program. Thank you for joining us for this First Thursday Seminar. The presidential memorandum of 2011 challenges federal agencies to implement at least $2 billion of mission critical energy efficiency improvements at federal buildings across the country. This mandate directs us to use proven financing tools such as utility energy service contracts to implement facility improvements that save taxpayer dollars and reduce energy consumption and associated greenhouse gas emissions.

Today's training focuses on placing task orders for energy management services under a GSA areawide contract. Areawide contracts provide agencies with a streamlined acquisition vehicle and we will be presenting a flexible and efficient process for their use. We will briefly cover UESC best practices and present contract templates, which include FAR clauses and other terms and conditions, which we feel, are needed to successfully implement quality UESC projects. Please keep in mind that this is a 90-minute version of an in-depth, two-day advanced UESC workshop that FEMP will be launching in fall of 2012. FEMP is your partner for making projects happen, whether it's strengthening partnerships, leveraging available resources, recommending new technologies, or providing training and project support, FEMP is here to support your efforts.

FEMP maintains an online library of viable resources, including fact sheets, guidance documents, and recent case studies of successful UESC partnerships. Also on FEMP's website, you can find tools that will make your work faster, easier, and more reliable, including renewable energy screening tools and software to help you conduct economic analysis of potential projects scenarios. FEMP also offers technical assistance and advice from experienced professionals to help you get the most value form your projects. You can count on FEMP's team of experts to help your agency with all aspects of UESC project development. Feel free to contact me or any member of my team and we will do our best to see your needs are met.

The presidential memorandum has challenged us to lead by example, reduce our energy use, and operate our buildings more efficiently. We hope this First Thursday Seminar will help you meet your agency's energy saving goals and I look forward to answering your questions at the end of this program.

Kathy Hyland: Okay, now back to Julia.

Julia Kelley: Thank you, Kathy. The next section in our seminar is really going to be the longest section and it's where we're going to move through the key contract actions step by step.

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So let's take a look at an overview slide before we really get going on this. The steps that we're going to look at today in the process of moving forward on your utility energy service contract include acquisition planning and utility selection, then a preliminary assessment and feasibility study, then we move on to a portion where the agency issues a request for proposals from the utility company, the utility issues a proposal in response to that. Then there is a task order awarded by the federal agency site for final design that allows you to move forward to installation and final project acceptance and then you enter into a post acceptance and performance assurance period with your contract. It is important to have that performance assurance to make sure that your contract adheres to the standards needed to first of all achieve the energy efficiency that you want to achieve

at your site and get those real energy savings and also to meet the presidential memo goal.

So let's take a look at the first step in this process, acquisition planning and utility selection.

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Some of the key elements of acquisition planning include this is just where you're sitting down with your team and coming up with your initial process scope, your ideas of what needs to be improved at your site, what are the energy efficient technologies that you want to get implemented, what are the facilities that you want to target for improvements, what are your needs and special considerations. Maybe you have some specialized facilities at your site like laboratories or archives or data centers that need special consideration during this project. This is also where you're pooling your initial staff together and assigning them roles and responsibilities, really building that acquisition team and working together on a project definition document.

FEMP recommends that at this step you might want to consider developing a team charter to assign roles and responsibilities to the members of the team as you prepare to work together for the next several months. This is also where you're going to have a preliminary financial discussion and identify whether you want to do this project with financing provided from the utility company and their third party provider or whether you want to do this project with appropriations funds that you have in hand or whether you want to have some kind of mix among those funding sources.

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As you get started on your project, it's important to of course identify the utility company that you want to work with in partnership and you might have more than one serving utility company at your site. FEMP recommends that you issue a letter of interest to all utility companies that serve your site that have franchise service territories to determine their interest, their capabilities, any available incentives that they have, and just find out if they're interested in working with you on a utility energy service contract. Then you can evaluate the responses to that letter and select your utility partner. If more than one utility company responds and said, "Yes, we'd like to work with you on a UESC," you will need to use a process of fair consideration to choose between those potential partners. But oftentimes, a federal site will only have one utility company that serves their site and is willing to provide UESC services. You can at this point move forward with a Justification for Other Than Full and Open Competition, or a J&A, to go ahead and move forward with an agreement with your utility company.

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Now before we talk about the next section, I wanted to highlight some of the benefits and the importance of putting together your acquisition team carefully. This is where you're really bringing together the people that have the knowledge, that have the technical expertise, that have the experience, and that have the responsibility for signing off on these agreements. This enables you to gain support for your effort early on in the process and gaining that support from all the key stakeholders and folks that are going to be involved every step of the way is so important to the future success of your project.

So who should be on your acquisition team? Of course the contracting officer and acquisition staff are the leads on these major contracts but also the technical representatives such as the energy manager or facility manager for your site are playing a very important role here. Who else should be on your team? Of course legal

representation would be important and ideally you should invite everyone who could help hinder or just be affected by the project to participate in some way. You might even have tenants that are going to be involved in this, security personnel, et cetera, depending on what kinds of activities happen at your site.

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So now that we've taken a look at this acquisition planning stage of your process and selecting your utility, what are the key contract documents, the key templates, and tools that you would use during this phase of the project? As we mentioned, you're going to issue a letter of interest to your utility partner.

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You're also going to have your J&A for having a sole-source or limited-source contract with your utility provider to do your UESC. And you're also going to work on your project definition document as part of your initial statement of work at this stage of the process.

As David mentioned, we are preparing an advanced UESC workshop where we will have you do your homework in the classroom and you'll be moving through some of these templates and filling them out and getting your project underway in a classroom environment, so we look forward to having you participate in that. But as I move through this seminar today, as we get to the end of each of these key contract term sections, I'll be sharing with you some of these templates.

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Now let's take a look at the next step in the contract actions as we go step by step. The next element would be the preliminary assessment and feasibility study.

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This is where you're continuing to develop the preliminary project scope and pulling together a lot of information and sharing it with your utility partner. You're gathering information on the future use of your facilities, like do you have a facility that is going to be slated for demolition or its mission changed in the near future? What about the needs of your facility occupants? Are you getting ready to have some people have to go on a third shift in a particular facility? What about the condition of your equipment? Do you know of some boilers or some other element of equipment at your site that is getting close to needing to be replaced? Utility and related operations and maintenance budget information could be shared, honing in on which facilities and buildings you want as part of this project needs to be shared, and of course your own desired or required list of energy conservation measures. Do you want to have renewable technologies as part of this? What are the aging equipment infrastructure elements that need to be replaced at your facility? Use all of this information to guide your utility companies so they can prepare a preliminary assessment and a feasibility study that best meets your needs.

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Now let's take a closer look at this process. As you develop your scope for your project, bear in mind that the energy conservation measures must meet the criteria established by GSA including that they must reduce or manage your energy or water use or reduce their demand and they must result in energy cost savings to your site. When you think about the scope related to your building sites or facilities, bear in mind you really don't have a limitation on the size of the project or the number of buildings involved. The utility,

however, must be providing utilities to those facilities. In addition, you can even include in your UESC sites that are leased government space instead of government own space as long as the government pays the utility bills directly to the utility provider rather than a landlord and that lease does not exceed the term of the UESC task order. Be sure that you and your utility company follow a fuel-neutral approach as you plan your UESC to ensure that that utility provides you with the best options available regardless of fuel source.

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FEMP has some recommendation for you about a funding strategy to maximize the value and the impact of your project. As you implement your UESC and plan for it in this planning stage, we want to ask you to seriously consider a comprehensive energy, water, and renewable energy project where you're benefitting from economies of scale of grouping different energy conservation measures together in what project effort. This also helps you minimize disruption at your site by installing multiple measures in one construction and installation process. Now as you plan for this preliminary audit and feasibility study, you can choose to pay as you go, where you pay for the assessments and design with the appropriated funds that you have in house or you can choose to finance these assessments and the design costs. You might want to choose that option if appropriations are tight. You can work with the utility company to include the cost for your preliminary assessment or feasibility study rolled into the finance task order for final design and installation.

Now I just wanted to highlight here that is allowable to use a strategy where you do either all appropriations or some appropriations mixed with financing or all financing to accomplish your utility energy service contract. This is allowed under 42 U.S. Code 8253. Another thing that you can do to perhaps benefit your site, if you have year-end funds, you can place a task order for a study, the preliminary audit or feasibility study, in one fiscal year with funds you anticipate receiving the next fiscal year. This is authorized by FAR Part 32.703-2.

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So taking a closer look at the preliminary assessment and feasibility study, sometimes they can be grouped together and done as one deliverable from the utility company. When you receive that deliverable, you reach a go-no/go decision and have to choose whether you want to move forward with the project or you've decided at that point it's not what you want to do. This sets you up to move forward into the next stages of the UESC project.

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So let's talk about whether you want to do that preliminary assessment or whether you want to skip that and proceed directly to the feasibility study. Some facilities choose to combine the preliminary assessment and feasibility study into one deliverable. They might do that if they already have well determined their preliminary project scope themselves perhaps from previous audits or assessments. They might make that decision because they have a lot of confidence in working with their utility. Perhaps they've done UESC projects together in the past and that can help them save time and money. FEMP believes this can be a sound cost effective practice. However, there are reasons for doing a preliminary assessment. You might want to do a preliminary assessment to achieve the energy audits that you need to achieve under recent legislation for those 25 percent a year energy audits at your facility. You might just want to do it to help you get a preliminary idea of the scope of your project.

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Some key distinctions between the preliminary assessment and the feasibility study include that the preliminary assessment is generally provided at no cost to the federal site because there's a lower level of detail and effort involved for both the agency and the utility in preparing one of these assessments. However a feasibility study, the agency will usually pay for it either through appropriations or as part of the finance project. The level of detail is much greater in a feasibility study. It's a true investment-grade audit that helps you define the project and it is a more significant effort for the utility company and for the preparation that's required for the federal agency to get that underway.

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Some of the purposes and functions of the feasibility study are to produce a true investment-grade audit for you, to give you a detailed assessment of the existing facility use and conditions, your systems equipment and their energy and water use. It also establishes the energy baseline that you use to move forward to the other phases of project design and it also gives you technical and economic viability details about each of the recommended energy conservation measures in the project. It might also include plans for operations and maintenance, plans for commissioning that equipment, and performance assurance.

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When you work with your utility company to define the requirements you have for your feasibility study, FEMP recommends that you ask for results information on all the energy conservation measures that they studied, even those that they studied and then ultimately didn't recommend to you. You should also ask for information that helps refine the energy conservation measure descriptions like all the assumptions about those energy conservation measures, their estimated energy savings, installation costs, performance assurance plans for each one of those pieces of equipment. Make sure that you ask for a fuel-neutral approach so you get the best product for your situation. Also, be sure to specify a desired level of supporting information on costs and pricing for each technology and relevant information on how that utility is going about choosing their subcontractors. There should be enough level of fidelity so that the results of this study are ready to load into your internal project tracking systems including financial schedules, incentives, and rebates. They should also show you assumptions for calculating use and savings.

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When requesting the feasibility study, you'll be issuing a task order for that feasibility study. You will use the areawide and areawide attachments such as Exhibit C for energy management services authorization and perhaps an energy services agreement. You might also use Standard Form 26 when negotiating the cost for the feasibility study because as we've said, rarely do utilities offer a feasibility study at no cost. Now payment alternatives for the feasibility study might be upfront, perhaps through appropriations or rolled into the financed project cost.

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When you receive your feasibility study from the utility company, you can anticipate that it will have about 65 percent of the design to enable you to move forward with the project. It will have information on pricing that's summarized and task order schedules and all the required supporting information. And you actually use this feasibility study to work with the utility to move forward to this statement of work for the final design and

installation of your project. You could also include a commissioning strategy and performance assurance strategy.

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When you receive the feasibility study, it's now the agency's responsibility to carefully review it because you have reached that go-no/go decision. Be thorough in your review, draw in that acquisition team with all of their expertise but be sure to keep to your schedule that you've defined with your utility company. Don't delay. Do a thorough but timely review to move forward with your project and keep those costs down. When you complete your review, we recommend that you have a final feasibility study workshop with the utility to discuss comments that you might have there and develop a statement of work for final design and installation.

You've reached a decision point. Let's decide to move forward with the next state of our UESC project.

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Now as you've gone through the preliminary assessment and feasibility study, you used some additional templates and tools. Let's point out some of the key ones here.

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You have a cover letter requesting a preliminary assessment or feasibility study that's going to overlay your Authorization for Energy Management Services. This is an exhibit under the areawide that you'll be using. You can use it to trigger a preliminary assessment, a feasibility study, the task order for the design and installation. So you'll be quite familiar with it by the time you complete your project.

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The next step of the UESC process is where the agency issues a request for proposals to the utility company, so let's take a look at that.

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This request for proposal adds project-specific requirements to the task order to move you towards final design construction. The technical staff develops a very detailed statement of work for the request for proposals and you can see from that that a UESC is truly a mix of a services and a construction type contract. This RFP includes project-specific requirements such as particular standards of service, even details like humidity levels that might be required for specialized buildings at your site. There's no need, however, to add terms and conditions that are already included in the areawide or the previous task order that was issued for the feasibility study.

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The RFP, however, should include all sorts of considerations that you're probably used to seeing in renovation and construction projects at your site such as Davis-Bacon considerations, performance standard specs, performance assurance plans, acceptance requirements, O&M requirements, and even site access requirements, et cetera.

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So now the utility submits their proposal to you in response to your RFP. As you're reviewing it, this is your last chance for input and negotiation with the utility on that statement of work, the energy conservation measures and their pricing. The contracting officer should again have a full technical review performed on this proposal, and again, in a timely manner. It should also include at this stage the review should include an independent government estimate to verify the pricing. At this point, there should be very few surprises that you see in this proposal but the reviewer should look at things like credibility of price. Does it meet the needs of the agency? Is it technically credible and is there evidence of subcontractor competition? That proposal then kind of rolls forward and then becomes a part of your task order that you issue for design and installation.

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So at this stage, your key contract document is of course the request for proposal itself.

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The next step in our key contract actions is the task order award.

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After you review the proposal, you're making a determination that, yes, that's still a good partnership and you want to move forward to the task order award for final design and installation. So you negotiate any revisions with the utility company before the proposal rolls into that task order. You get your approval to initiate your task order for final design and installation. You determine how you're going to cover the cost, often through financing of the project, and then you move forward.

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So your key document here is the task order for final design and installation using the same exhibit that you used to trigger that preliminary assessment or feasibility study.

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Our next step in the process is actually digging into that final design installation and even moving forward to project acceptance, so let's take a look at that together.

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This diagram shows a lot of the elements of the final design and installation planning and then we'll take a look at some slides that go into more detail after this. But you're starting off with the feasibility of final design and installation kickoff meeting with the utility company to get them started on this effort. Then they begin submitting design elements to you and you're reviewing and approving those elements. And after all of those are approved, they can begin the energy conservation measure installation at your site. After the installation is complete, there is commissioning and performance testing for each of the energy conservation measures and after the last energy conservation measure is installed and tested and made operational, you have a formal total project acceptance. Government oversight is critical during the installation and performance-testing phase of the project.

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During this final design and installation phase, the utility and the agency of course have different roles and responsibilities. The utility completes the final design and those

submittals. The agency approves that design. The utility installs energy conservation measures that meet the design requirements. The agency oversees that installation. The utility company provides operations maintenance manuals and other final deliverables and does the performance assurance initially and the documentation associated with that. The agency witnesses and monitors that performance assurance and then ultimately accepts the project.

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So a closer look at the final design and installation deliverables, just a summary here. Of course all the designs, plans, and specs for installation and the equipment, the schedules that the installation is going to take place. Oftentimes, the contracting officer will require payment and performance bonds or a letter of credit on the part of the utility company before construction begins at your site, and of course, all those final plans for commissioning, performance testing, and assurance, final training plans, training and training schedule, and then the construction schedule as well.

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Of course in the proposal and the feasibility study, the design was about 65 percent complete, but now, as you're receiving the deliverables for final design, of course you've got a 100 percent complete design package with many of the deliverables that are needed to move the project forward. The agency has to assume responsibility for reviewing all of these and approving them, and again, this needs to be done in a timely manner so that commencement of installation can begin.

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After all of the energy conservation measures are installed, there is a formal acceptance letter that's issued by the agency to the utility company and then you can start receiving invoices and paying the utility company back over time with the savings that you're achieving from having this new equipment installed at your site. Another alternative option that can be available to you is that invoicing can begin after individual energy conservation measures are accepted but before the final project acceptance if that's what you previously agreed to in your contract.

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Now we're hitting on the final stage of the key contract actions step by step and that is in the post acceptance and performance assurance period of the project.

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Taking a look at our overview arrow chart here, you're including in this phase the invoicing and payments that we've talked about. Operations and maintenance plans are often provided that can be instigated at this point. Usually a utility company doesn't provide operations and maintenance services but more plans and training that you can take and run with at your site. And then performance assurance is being conducted during this phase as well as savings verification steps.

As you're starting to wrap up with this project, FEMP recommends that you take a long-term approach with your utility partner and begin negotiating with them for the next project. What were some facilities that maybe you didn't get to touch on during this phase of the project? Go ahead and start work on the next project so you have a continuous improvement effort going on.

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Let's take a little bit closer look at some of the best practices associated with performance assurance because during this post award period of your project is where you're taking action to make sure that you continue to receive the energy savings and water efficiency savings that you wanted to achieve from your project to begin with. FEMP has a recommended performance assurance plan for UESC projects that's available from the web link at the bottom of the screen. Some of the key elements of that plan are shown here, that you have of course an established baseline pre-installation. You do start-up performance verification, performance verification at the end of the warranty period, that operations and maintenance training are provided by your utility as part of the UESC and that there's a provision for continued training throughout the contract period. As you know, new folks come along every day and they need to be brought up to speed on this equipment as well. Perform periodic inspections and verification of appropriate operations and maintenance performance is a great element to have in your performance assurance plan, as is performance discrepancy resolution where you plan out with the utility ahead of time how you're going to address it if a particular piece of equipment isn't performing as you had hoped.

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Now if you draw your UESC project development to a close and you're enjoying the benefits of the new technologies installed at your site, remember that you are required to report to the General Services Administration and submit to them the task orders that you placed under the GSA areawide. That is a requirement for using the areawide contract. And also please remember that FEMP asks you to help us out. Please volunteer to supply information about your UESC project to FEMP. We ask for this information so that we can understand current trends in investing and understand how people are using UESC contracts. We keep the information close hold. We don't share it and we just roll it up into general statistical report outs about UESCs. The sample collection template that you would use for this is shown at the bottom of the screen. As you can see, it's not too much information to ask. It won't take you very long to send us this so please do volunteer to send us this information.

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As we come to the last section in the seminar, I'd like to share with you some resources that can provide you with additional help as you move forward with your UESC task orders under the GSA areawide contract.

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First of all, please visit the GSA Areawide Energy Center of Expertise Library on their website, scroll down to the section on utility areawide contracts and you'll find there a Utility Areawide Users' Manual, information on procuring energy management services with the utility areawide contract. You'll find a listing of utility companies that hold areawide contracts with GSA and you'll find that sample GSA utility areawide contract.

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Please visit following this seminar the FEMP UESC website where you'll find the enabling documents book I mentioned earlier in the seminar and a wealth of other information like types of contracts, the laws and regulations, how to get the best value from your UESC, technology resources, case studies, and also a really nice short introductory DVD that you can show to your upper management and give them a quick overview of UESCs.

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Please join me at the next Federal Utility Partnership Working Group meeting coming up in October 16-17 in Mobile, Alabama. This is the working group that establishes partnerships between federal agencies and utility companies and facilitates communications to help everyone move forward on utility energy service contracts and to really streamline these projects. More information about this next meeting can be found at the FEMP website at the bottom of your screen.

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FEMP also offers a variety of direct project support to help you with your UESC project. We have experienced project facilitators that can guide agency teams through the UESC process. We help you develop contract documents and we can provide you with the document templates that I shared during this seminar and many others. We can also offer engineering experts that can do technical review of your audits, feasibility studies, and proposals as you receive them from your utility company. We offer a variety of in-depth technical support to best meet your needs.

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In addition to this seminar today, FEMP has other training opportunities available to help you with utility energy service contracts, one of which is an introduction to UESC webinar that I host periodically. The next webinar will be September 20th and you can do a free registration for that from the FEMP website. Watch also the FEMP website for information about that advanced workshop that's going to be coming up this fall and other future classroom workshops. If you like, we can arrange to meet your needs best with a customized webinar or customized in-person agency workshop.

Now last year, Kathy and I did a First Thursday Seminar about UESCs that also included information on energy project incentives and you can take a look at that still now by downloading it from the FEMP website if you'd like to focus in on more information on the rebates and incentives that utility companies can bring to bear to help you with your UESC project.

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I'd like to leave you with a slide that provides you with my contact information. I'm Julia Kelley at Oak Ridge National Laboratory and David McAndrew's contact information, who is with DOE headquarters at the Federal Energy Management Program. We're both happy to help you individually with your UESC project. And I also want to just say thank you to Deb Voskas and Karen Thomas and others who helped prepare the information that I've shared with you during this seminar today.

Kathy Hyland: Okay, now it's time for your questions. If you'd like to speak directly with Julia and David, give us a call or you can also e-mail your questions to us. So we're interested in your thoughts on this. I have a question already, and David, I'd like to direct this question towards you. And it is: are renewable measures an acceptable ECM under a UESC?

David McAndrew: Yes, they are. That's the short answer. The long answer is that within GSA's guide, Procuring Energy Management Services under the Areawide Contract, it lists specifically the types of measures that are acceptable as an ECM under UESC. Among a whole bunch of things, one of the things that are listed is the procurement of renewable energy systems, so that's the longer answer.

Kathy Hyland: Thank you, David. Julia, another question for you. Does the Buy American Act apply?

Julia Kelley: Yes, it does, Kathy. Of course these are federal contracts and the Buy America Act does apply. Sometimes you'll find that particular pieces of equipment aren't available from American manufacturers and there is a way to do an exception when that's the case.

Kathy Hyland: Okay, good. David, a question for you. Is there a rule of thumb when considering a UESC versus an ESPC?

David McAndrew:
Well, both ESPCs and UESCs are effective tools and I think the first question you have to ask or find out is does the utility company that's serving you offer UESCs. If the answer to that is no, then obviously your best choice is the ESPC. The next thing you want to do is try to determine how strong of a relationship do you have with your local utility company, and if it's a good, strong, working relationship, then you might want to pursue a UESC. The final thing you want to look at is how important to you are the host acceptance services like a specific energy savings guarantee or ongoing operation and maintenance. Those are typically not part of a UESC but they're possible. But if those are something that are very high value to you, you may want to consider going the ESPC route.

Kathy Hyland: Thanks, David. Julia, anything to add to that?

Julia Kelley: No, I think that was well said.

Kathy Hyland: Okay, Julia, another question for you. Can you expand on how to determine if financed or appropriations funding is most favorable? What should they consider?

Julia Kelley: Well, I do want to remind folks that you can use a mixture of financing and appropriations to do a UESC. You might want to use your appropriations dollars if you have some limited appropriations dollars to do some of these preliminary assessments and feasibility studies to help you scope out your project and then later use the financing to get the installation completed. If you have appropriations dollars available to you to pay for the entire project, you could still do that under a UESC as a fully appropriations funded project but of course a lot of agency's aren't in that situation right now and so project financing is really what comes into play to help agencies get these retrofits completed.

Kathy Hyland: David, a question for you.

David McAndrew: Could I add a little bit to the last question?

Kathy Hyland: Yes, David, please do.

David McAndrew: One thing. We recently did a study with Oak Ridge National Laboratory examining just that issue and what they discovered was that perhaps what the most effective strategy would be if you had limited appropriations is to use your limited appropriations with the financing to get a financing term that's acceptable to your management. So if you don't want to go out for 20 years but you have some appropriations, you could buy down the project to get it to say within a 10-year or 12-year term with your appropriations, enabling you to do a very comprehensive project.

Kathy Hyland: Thank you, David. David, another one for you. How do I convince my contracting officer that a sole-source contract under a UESC is acceptable? It's been a stumbling block for a project we'd really like to pursue.

David McAndrew: Well, I'd like to think that you're not trying to convince your contracting officer but rather provide him or her with the information that they need to arrive at the decision that you want them to make. The first thing that I would provide them with is the Sample Justification for Other Than Full and Open Competition that we have in our enabling documents as well as the GSA legal opinion on that subject. And I would point out to them the part of FAR Part 41, which tells agencies that they need to follow GSA's guidance when acquiring utility services. So provide them with that information and I think they'll be where you need them to be.

Kathy Hyland: Thank you, David. Julia, a question. What if my serving utility company doesn't have an areawide in place with GSA? Can I still do a UESC with them?

Julia Kelley: Yes, you can, Kathy. What you would do there is a site-specific or separate contract and if you need to go that route because your utility company does not have an areawide in place with GSA, you can still use the template in the enabling documents book to have 70 percent of your task order language already written for you. You are still entitled to all of the FEMP resources that we can bring to bear to help you with your UESC project and many federal sites have successfully done separate contracts to do a UESC project.

Kathy Hyland: Okay. Julia, another one for you. Why does a utility want to offer you a UESC service? Aren't they in the business of selling utilities?

Julia Kelley: Well, we do get that question a lot and I think the utility company is actually in a win-win situation when they offer utility energy service contracts to their federal customers because one of the most expensive, one of the biggest costs that a utility company has is the cost of that future power plant that they have to buy. If they can help you with demand reduction services, they can help avoid those kinds of costs, and they also just present a way for the utility company to offer strong customer service to their federal sites in their territory.

Kathy Hyland: This one either Julia or David. I'll ask the question. It is from Mona Neil, who is with the Army, and she wants to know if there's only one UESC service provider, why do you need to do a sole-source justification?

Julia Kelley: Well, that is the standard operating procedure. If there's just one, you still want to have the documentation to show that only one utility provider was interested in working with you and have that on file.

David McAndrew: Yeah, whenever you sign that contract and you limit competition, you need to do a Justification for Other Than Full and Open Competition, and in that justification, you would site the statue that authorizes you to work with your local utility company and explain that there's only one utility company that offers your site that service. It's a formality but it's required.

Kathy Hyland: Okay, thank you, David. Another question. Can rebates be accepted and used in a project?

Julia Kelley: Yes, they can, and actually that is authorized under U.S. Code 8256 where you're authorized to do UESCs. All agencies can accept rebates and incentives from their serving utility company to help do energy efficiency projects and make them a little cheaper. The Department of Defense has written guidance on exactly how to accept those rebates and incentives. NASA also has guidance available on how it is in NASA, if you're a NASA site, to accept rebates and incentives, but all federal agencies are authorized to do that under 8256. And on the FEMP website, you can go to a Rebates and Incentives area and they have a very nice, clickable map where you can hone in on your part of the country and look up what are the rebates and incentives offered by the

utility companies in your area. But you can also call your utility company representative and find out exactly what they have to offer and what they can bring to bear.

Kathy Hyland: Okay, good. That's all the questions. Oh, go ahead, David.

David McAndrew: I just wanted to add a little bit that there's approximately $5 billion or a little over $5 billion available to utility customers in rebates and incentives every year. So there's about $5 billion in funding out there and so when you asked the earlier question, why would a utility want to do something that would reduce demand on their system and make them sell less electricity, not only do they want to do it but they spend $5 billion a year encouraging their customers to reduce demand. When you are trying to get a rebate, it doesn't have to be limited to a UESC. You can get the rebates and incentives whether you're doing an appropriated project with a third party, doing an ESPC, or any type of conservation measure. So whenever you're doing a conservation measure at your facility regardless of the contract vehicle, you want to check with your local utility, see if there is a rebate, and make sure that you apply for that.

In Connecticut, for example, they can cover up to 40 to 50 percent of the cost of implementing a measure at your site if you qualify for the rebate. So there are tremendous rebates out there and available for federal agencies.

Kathy Hyland: Thank you, David. I don't have any more questions at this time; so David, would you like to have some closing comments, or Julia?

David McAndrew: Just if there's anything that we can help you do on implementing a UESC, you have my contact information. You have Julia's. Feel free to contact us. We want to help you make your project successful.

Julia Kelley: Thank you so much, Kathy. Yes, please call us if we can be of any further assistance to you. We're happy to help.

Kathy Hyland: Okay, so that's all for today. Before I return to close, let's look at the First Thursday Seminar that are archived for your viewing to meet your training needs.

[Music playing]

Please take a moment to complete a brief evaluation to help us determine what future training topics you would like FEMP to offer and ways we can improve the First Thursday Seminars. You can also complete a quiz to reinforce your learning and print a certificate for your records. You can access this quick evaluation and quiz in one of three ways. You can go to the FEMP website at www.FEMP.energy.gov/FirstThursday and find the quiz and evaluation there. If you registered for this course, you'll get an e-mail follow-up with a link and if you're watching this today by live webcast, you can click on the paper clip icon and it will take you to the evaluation and quiz.

We would like to thank our instructors today, Julia Kelley and David McAndrew. We'd also like to thank FEMP for sponsoring these First Thursday Seminars and thank you for joining us today. We'll see you next year.

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