



Financing Program Support for ARRA Recipients

Energy Savings
Performance Contracting
January 14, 2010



A few housekeeping notes...

- All participants are muted. Use chat window to ask questions throughout the session.
- If you have technical difficulties, please type issue into the chat window.
- Slides and audio will be available a few days after the webinar at this link:
<http://www.eecbg.energy.gov/solutioncenter/webcasts/>



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- Purpose of this Webinar
- Advantages of ESPC
- Project Timetable – Decision Schedule
- Estimating Project Size
- Core Team Meeting



- Review the advantages of ESPC
- Provide a roadmap for developing an ESPC project
- Identify potential project barriers
- Describe available technical assistance



- **Facility Modernization**
 - Replace failing equipment
 - Lower maintenance costs
 - Improve productivity in working and learning spaces
- **Help the Local Economy**
 - Local subcontractors do the work
 - Buy stuff, hire people, spend money, pay taxes
 - Fuel essential services
 - Reduce waste and GHG emissions



- **Fast Track Process**
 - Systematic energy savings plan – interactions of systems
 - One contract with single point responsibility for design, construction, performance, assisting with financing sources
 - No finger pointing here
 - No change orders
 - Projects have scope and energy guarantees
 - Seldom venture outside of original scope – unless you add work
- **Savings you can budget**
 - Fix a portion of your utility budget for ten+ years
 - Leverage ARRA funds and utility incentives
 - Multiyear reporting of impact and adjustments



Planning 60 - 90 days



RFQ/P 45 days



IGA 60 - 120 days



Final Decisions 30 - 60 days
(Contract Negotiations)



Construction 270 - 360 days



M & V 60 - 90 days
(post construction completion)



Post Construction Services



Projected Timeline Energy Savings Performance Contracting



- Do a quick estimate of the size of your potential project
 - Buildings
 - Water and wastewater
 - Traffic lights and streetlights

- This calculator estimates the anticipated scope of benefits and accounts for variable input and the cost of money over the term of the agreement
- Download at <http://energyservicescoalition.org/espc/tools/practice08/5steps.htm>

Benefits Estimator

How many Square Feet are being Considered?	350,000
My total Annual Utility bills are	\$ 400,000
Your Operating \$/sq ft is	\$ 1.14
What Financial Interest Rate do you anticipate?	5.00%
How many years do you want to finance this project?	10
A payment will be made every	6 Months
Typical Project Savings = 22-27%, Input your anticipated per cent of savings	22%
Your Annual Savings Opportunity is	\$ 88,000
Your Estimated Project size is	\$ 685,923
Your total \$/sq ft of estimated project size is	\$1.96



- **ESPC may not be viable for small projects (<\$500k)**
 - ESCOs not interested
 - Financing difficult
- **ESPC is a partnership**
 - Customer wants help
 - Customer willing to enter long-term deal
- **Key customer managers on board with ESPC**
 - See description of startup meeting below

- RFQs faster and often yields better results
 - ESPC is a best value, not lowest first cost
 - Focus on key distinctions
 - ESCO background and experience
 - References to similar projects
 - ESCO project team
- Some states require RFPs
 - RFP = RFQ plus project pricing
 - Best qualified ESCOs may not bid
- Some states allow hybrids
 - RFQ plus indicative pricing or standard markups
 - Final project will be fixed scope, fixed price – not variable



- Use standard model documents
- Available at:
<http://www.energyservicescoalition.org/espc/tools/index.html>
- Modify with state or local government terms and conditions



- See proposal evaluation process at:
<http://www.energyservicescoalition.org/escpc/tools/index.html>
- Recommended evaluation team
 - Energy manager
 - Designated project manager
 - Technical advisor/consultants
 - Project engineer
 - Facilities operating personnel
 - Administrative/financial managers

- **Contract Requirements**
 - Facility inventory
 - Utility bills and utility consumption model
 - Facility baseline
- **Deliverables**
 - Project costs and fees
 - Environmental benefits/costs
 - Supporting documents and schedules

- ESCO's job is to help arrange best financing package from all available sources
 - Cash
 - Bank Loan
 - General obligation bonds
 - ARRA Bonds: QECBs, Better America
 - Leases
 - Utility Rebates or Purchase of Savings
 - Power Purchase Agreements
- Procure financing in parallel with IGA
 - Minimize project delays
 - Increase options for consideration
 - Input from lender to measure analyses

- Some measures very easy to scope
 - Lighting
- Some measures require complex analyses
 - Boiler and chiller replacement
 - Cogeneration or CHP
 - Solar, wind, biomass
- Many agencies are implementing fast-track measures while more complex analyses are underway
- Requires coordination with your finance and legal staffs



- Two volumes of supporting information:
 - Volume 1: Contract schedules required for the Energy Services Agreement
 - Volume 2: List of Energy Conservation Measures (ECMs) with comprehensive and detailed supporting documentation
- If something's not right, it's wrong
- Easier to solve problems on paper in the office than in steel in the field



- Standard Terms and Conditions
 - Summarized in RFQ and RFP
- Key Contract Schedules
 - Contain the specific details of the project
 - Referred to throughout the main body of the contract
- Use standard ESA model document, available at:
<http://www.energyservicescoalition.org/espcc/tools/index.html>



Purpose

- Identify the hurdles and barriers that may preclude using ESPC.
- Gain commitment to project from all major players.

Attendees

- Champion
- Executive
- Financial
- Legal
- Procurement
- Landlord
- Construction Services
- Public Works
- Departments/Agencies
- Public Relations



- Welcome and Introductions
- Define Purpose of the Meeting
- Provide description of the effort
- Anticipated results, challenges and benefits
- Required tasks to move forward
- Anticipated Timeline of Activities
- Reasons NOT to move forward
- Next Meeting



- Welcome and Introductions
- Define Purpose of the Meeting
 - Maximize ARRA funding through ESPC
- Provide description of the effort
 - Financing improvements with the dollar reductions in utility costs that result from the work completed
- Anticipated results, challenges and benefits
 - Economic Development Benefit
 - Stewardship
 - Modernize Equipment and Systems
 - Eliminate Deferred Maintenance Issues

- Required tasks to move forward

- Legal – review contracting instruments and offer any needed adaptations

http://energyservicescoalition.org/resources/model/AttachG-Energy_Performance_Contract.pdf

and

http://www.energyservicescoalition.org/resources/model/AttachF-Audit_Contract.pdf

- Purchasing – review RFQ/P templates and offer any needed adaptations

http://energyservicescoalition.org/resources/model/RFP_for_End-users.pdf

- Finance – outline how transfers of funds would be managed from utility payment stream to note payment – identify any hurdles. Review finance solicitation template and offer any needed adaptations

http://energyservicescoalition.org/resources/model/AttachH-Financing_Solicitation.pdf

- Landlord Agency – assemble list of deferred maintenance items, constant complaint issues, end of equipment/system life issues by facility (limit to those issues related to energy consuming devices or systems or occupant productivity)

- **Additional Tasks**
 - Construction Services – identify available personnel that could provide oversight and determine interagency transfer of funds for the effort
 - Public Works – prepare list of traffic signal, water/wastewater systems, street lights and other that consume energy and a needs assessment for those systems
 - Administration – assign the task of assembling 25 months of utility bill information (paper or electronic from utility providers) and the square footage of all facilities under consideration
 - Departmental or Agency Directors – prepare a wish list of needs – NOT ALL WILL FIT but broad lists are helpful



- **Additional Tasks**

- Public Relations – Prepare patron and media announcements
 - Project kick-off and goal to maximize leverage of ARRA funding to drive economic development and environmental stewardship using no additional tax funds
 - Committee or council or commissioners approval and goals of the project
 - Mid project perspective from those receiving approval
 - Project completion and benefits received
 - Proof of Energy Savings and Economic Outfall



- Anticipated Timeline of Activities
- Reasons NOT to move forward
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Send feedback & requests for technical assistance to:

Bret Kadison – FinancingRapidResponse@ee.doe.gov

Resource Portal for Financing Programs

<http://www.eecbg.energy.gov/solutioncenter/financialproducts>

Other Resources

Documents and presentations referred to in this webinar are available at:

<http://www.energyservicescoalition.org/esp/tools/index.html>



- **Jan 15** - Structuring Credit Enhancements for Clean Energy Finance Programs
- **Jan 21** – Energy Savings Performance Contracting Program Implementation
- **Jan 22** – Creating Liquidity through Use of Secondary Markets
- **Jan 28** - Pennsylvania Keystone HELP Program

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