

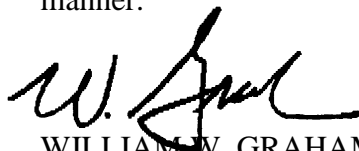
PROLOGUE

The Federal Government had made only a passive effort towards the conservation of energy producing natural resources prior to the Energy Policy Act of 1992 (EPAAct). However, Executive Order (E.O.) 12902 (March 8, 1994) mandates new energy conservation requirements within the Federal Government and strongly endorses the use of Energy Savings Performance Contracting (ESPC) to assist Government agencies in meeting the requirement. It should be noted that Shared Energy Savings has been available to the private sector for many years.

Though plagued with aging equipment and a lack of funds, public facilities were excluded from ESPC (until E.O. 12902) due to procurement rules and procedures. Now that legislative reforms have opened this door, many public sector facilities are rushing to upgrade without budget increases.

ESPC provides an opportunity to turn wasted energy into capital improvement – It just makes good business sense.

It is hoped that the information contained in this Resource Guide will stimulate discussions between top management, engineering personnel, acquisition & materiel management personnel, etc. to improve energy conservation and facilitate the replacement of aging, inefficient equipment in Veterans Health Administration (VHA). It can assist in VHA's commitment to provide the highest quality of care in the most cost-effective manner.



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EXECUTIVE SUMMARY

Prior to the Energy Policy Act of 1992 (EPAct), the Federal Government had made only a passive effort towards conservation of energy producing natural resources. This was demonstrated by selection of an arbitrary baseline year (i.e., 1985), and setting a minimal 10% energy reduction goal to be achieved by Fiscal Year (FY) 1995. The goal seemed attainable within the confines of yearly available funding by retrofitting existing systems along with the installation of simple Demand Side Management Controls. On October 24, 1992, EPAct (Public Law 102-486) was passed maintaining the same base year; however, the energy reduction goal was increased to 20% to be achieved by FY 2000.

On March 8, 1994, President Clinton signed the Executive Order (E.O.) 12902, which mandates new energy conservation requirements within the Federal Government. It requires that each agency reduce its energy consumption by 30% by FY 2005 (as compared to their consumption in FY 1985 in Btu/Sq.Ft.). Although EPAct, Public Law 102-486, Title I, Subtitle F, Section 155, entitled “Energy Savings Performance Contracts” (ESPC) required its use by all agencies, this E.O. strongly endorsed the use of ESPC to assist Government agencies in meeting this requirement.

ESPC is a significant new contracting vehicle for meeting VA facilities’ energy conservation needs and was approved by Headquarters in September, 1996. The contract is relatively easy to initiate and very attractive to (both) VA facilities and private contractors.

- The contract requires no up-front facility funding.
- VA management guarantees that funding will be available (and adequate) for the payment of the contract in case the VA defaults after installation.
- It is the option of the medical center, in conjunction with the contractor, to determine who will pay the costs of installation and maintenance.
- The contractor is reimbursed on a monthly basis from the facility’s (guaranteed annual) *energy savings* (which result from these ECMs) until the contractor’s investment and profit are paid for during the course of the contract.
- The ESPC can be negotiated not to exceed 25 years in length.
- To maximize benefits to the VA, consider combining short-and long-term payback ECMs to reduce the length of the overall contract.
- During the contract period, the facility typically retains a percentage (varies with contract) of the energy savings with the remainder of the energy savings going to the private contractor.
- At the end of the contract, the VA facility fully owns the installed ECM measures and retains 100% of the resulting future energy savings.

The Guide, developed by the ESPC Technical Advisory Group (TAG) comprised of VA Headquarters and field ESPC experts, is meant to compliment recent Engineering, Acquisition & Materiel Management, and General Counsel efforts.

The processes outlined in this document are informational only. It is the responsibility of each facility to determine if ESPCs are appropriate. There are other methods of contracting for energy conservation measures at VA medical centers. Included in these methods are contracts with public utilities through General Services Administration (GSA) area-wide utility contracts.

The contents of this document largely represent a very succinct version of a Department of Energy (DoE) training course/materials, and was developed specifically to inform top VA managers of a “long range” positive response to flattening rising energy costs and deferred maintenance of large building systems.

This Guide should be shared with the Associate Director, the Assistant Director, Engineering or Facility Management, Fiscal, Acquisition & Materiel Management, etc. ESPC should be considered for use as deemed appropriate by the medical center or VISN.

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Executive Orders Summary

Executive Order 12003: President Jimmy Carter signed this Executive Order on July 20, 1977. It required, of all Federally-Owned **existing buildings**, the goal of a 20% reduction in the average annual energy use per gross square foot of floor area in 1985 (from the average energy use per gross square foot of floor area in 1975). Also, for all Federally-Owned **new buildings**, the goal of a 45% reduction in the average annual energy requirement per gross square foot of floor area in 1985 (from the average annual energy use per gross square foot of floor area in 1975).

Executive Order 12759: President George Bush signed this Executive Order on April 17, 1991. It required each agency to develop and implement a plan to meet the 1995 energy management goals of the National Energy Policy Act (NEPA); and, by the year 2000, reduce overall energy use of BTUs per gross square foot of the Federal buildings it operates (taking into account utilization, by 20% from 1985 energy use levels, to the extent that these measures minimize life cycle costs and are cost-effective) in accordance with 10 CFR Part 436.

It also required that each agency operating 300 or more commercially designed motor vehicles (domestically) develop a plan to reduce motor vehicle gasoline and diesel consumption by at least 10% by 1995 (in comparison with fiscal year 1991).

Executive Order 12902: This Executive Order was signed by President Bill Clinton on March 8, 1994. It requires that each agency reduce its energy consumption by 30% by fiscal year 2005 (as compared to their fiscal year 1985 Btu/sq. Ft. consumption).

It also requires that (in addition to the available appropriations) agencies utilize innovative financing and contractual mechanisms including, but not limited to, utility demand side management programs, shared energy savings contracts, and energy savings performance contracts to meet the goals and requirements of the Act and this order.

Energy Policy Act of 1992: The Energy Policy Act (EPAct) of 1992 is the most comprehensive and balanced energy legislation ever signed by the President. The intent of EPAct is to increase the use of renewal energy by more than 20% and alternative fuels by more than 50% over projected year 2010 levels. There are many sections of this Act that deal with the energy conservation program.

Note: The information presented on pages 2 through 21 is largely adapted from the publication *Financing Federal Energy Efficiency Projects*, Version 2.0, April 1995 by the Department of Energy.

Methods of Financing

- **Direct Appropriations:** Historically, appropriations have provided the bulk of energy efficiency financing for Government agencies. The drawback is that funding is limited.
- **Utility Demand Side Management (DSM) Program Incentives:** Utilities often offer financial or other incentives to their customers (to install energy efficient equipment or construct more energy efficient buildings) because reducing demand or load growth is more cost-effective than constructing a new power plant or upgrading transmission and distribution systems. In addition, investor-owned and regulated utilities commonly receive approval from regulatory commissions to earn incentives or profits on DSM investments. DSM programs provide a technical resource or funding source that can be leveraged to help the agency implement an energy project.

Advantages:

- Reduced administrative burden (time and money) because VA can contract directly with the public utility on a sole source basis or can use recently executed GSA area-wide contracts with public utilities; there is no need to negotiate with the various interested ESPC contractors. Further, the contract requirements are identified in terms of energy savings “tasks”, without the need to “design” the project, and there is no need to establish an energy use baseline and then verify savings, which can be difficult as well as contentious due to changes in service rates and facility energy usage over the life of the contract.
- Lower financing costs through the use of non-recourse and similar utility-provided financing methods. The private sector financing rates of 13 to 15 percent (pre-tax) cannot match utility financing rates that can range from 6 to 9 percent (T-bill plus 2 percent).
- Greater implementation flexibility when projects are contracted for on a “task” cost reimbursement (actual cost) basis. Further, the cost accounting system employed by public utilities are regulated by the Federal Energy Regulatory Commission (FERC), and the larger utilities are required to use the FERC Uniform System of Accounts. This eliminates the need for costly project audits by VA, as the public utility is responsible to justify these costs to FERC.
- Lower amortized costs will make more activities cost-effective from a benefit/cost perspective. This will enable VA to undertake a greater number of needed infrastructure improvements by relying on lower cost, utility-provided financing.
- Possible lower electric or gas service rates by linking DSM activities to special rate options made available by the utility.

Disadvantages:

- Rebate-only programs still require the agency to obtain capital funds to implement energy projects. Also, due to competitive forces in the marketplace, currently available DSM programs may be eliminated or downsized and, thus, may not be available to agencies in the mid- to long-term future.

- The possibility of utility deregulation in the future could result in significant changes in utility costs. A long term utility contract may put facilities at a great disadvantage in accessing reduced energy costs.
- **Energy Savings Performance Contracting (ESPC):** ESPC is a contracting method whereby the contractor incurs the cost of implementing energy savings measures, including:
 - Performing the audit,
 - Designing the project,
 - Acquiring and installing equipment,
 - Training personnel, and
 - Operating and maintaining equipment.

In exchange, until the contract expires, the energy service company (ESCO) receives a share of any *energy cost savings* directly resulting from implementation of energy efficiency measures. Once the contract expires, the Federal Government retains all of the savings and equipment. The contract period can be up to 25 years. Throughout this term, the agency never pays more than what the utility bill would have been had no ESPC been awarded.

An algorithm of the ESPC process is provided in Figure 1.

Advantages: ESPC allows agencies to implement energy savings projects at their facilities if agency funding is not available. Key benefits of ESPC include:

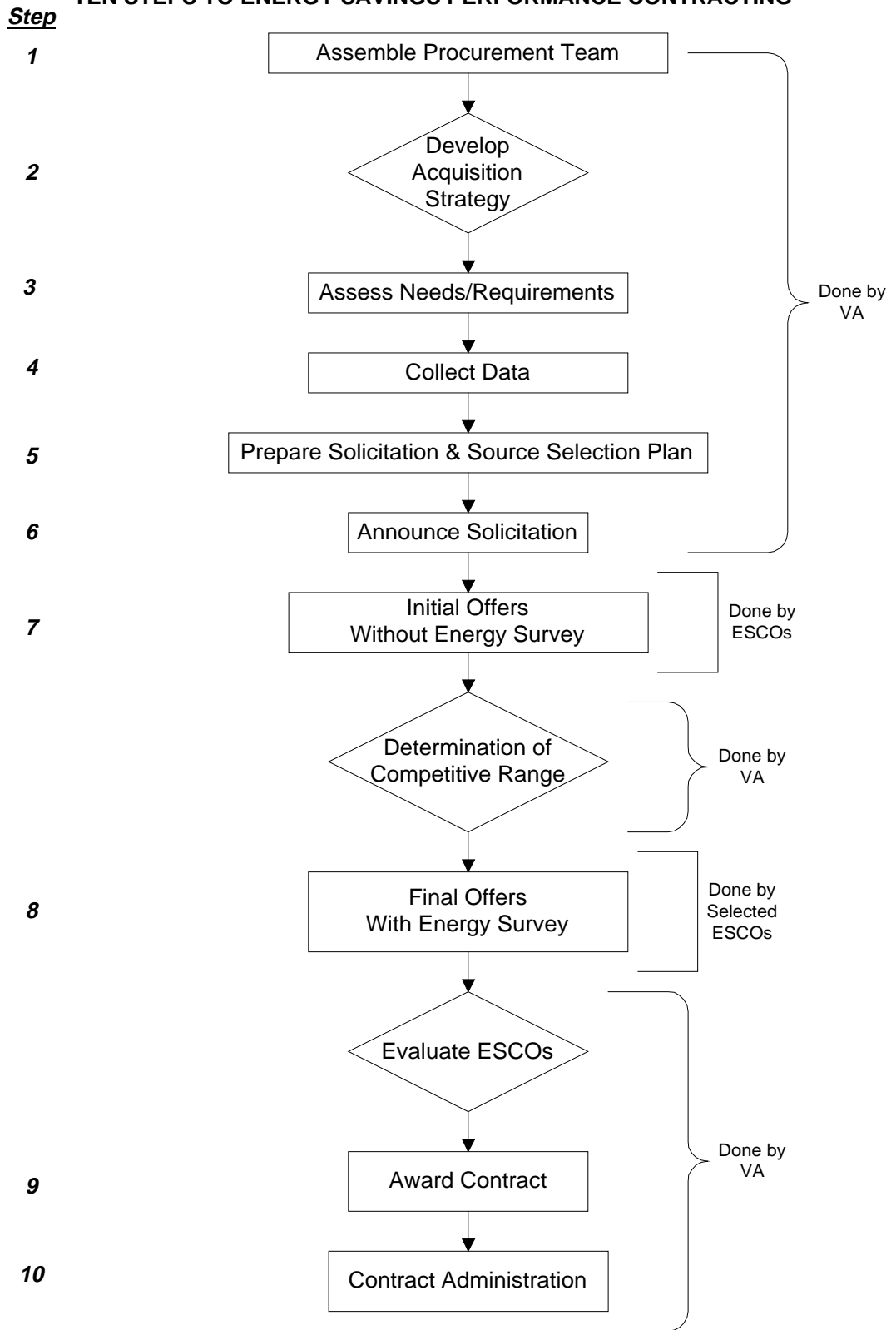
- Updating aging or obsolete equipment with newer, more efficient products and eliminating high maintenance and repair costs,
- The option of placing the O&M responsibilities on the contractor,
- Helping agencies meet the energy cost reduction goals of EPAct and Executive Order 12902,
- Conserving nonrenewable fuels and achieving environmental benefits by reducing energy consumption,
- Reducing utility costs without sacrificing service, and
- Stimulating the economy by allowing ESCOs to profit from their up-front investments through a share of the utility bill savings.

Disadvantages: Under an ESPC, the government does not immediately retain all of the savings generated by an energy savings project as it would if the project were funded by direct appropriations.

- **Combinations Of Three Types Of Financing:** Using a combination of the three financing methods described above may be the best strategy for reducing energy costs. For example, combining utility DSM incentives with ESPC in the installation of energy efficient chillers may eliminate the need for government funding.
- **Super Energy Saving Performance Contracting (ESPC):** In an effort to simplify the ESPC process, the Department of Energy (DoE) is establishing regional Super ESPCs through multiple awards of indefinite delivery, indefinite quantity (IDIQ) contracts in

each of the six DoE regions. There will be a limited number of DoE approved contractors designated in each region to perform ESPCs under the Super ESPC format. DoE will then authorize facilities that wish to issue delivery orders against the respective contract, to award the contract to any one of the contractors on sole source or competitive basis. If a VA facility wants to participate in a Super ESPC, DoE will assist VA contracting officers and technical staff in preparing the solicitation, evaluating contract proposals, awarding the contract, administering the contract, and post-award issues.

Figure 1. HOW TO DEVELOP AN ESPC
TEN STEPS TO ENERGY SAVINGS PERFORMANCE CONTRACTING



ESPC Algorithm Process

Step 1: Assemble Procurement Team – In Step 1, you will assemble and brief a team of individuals who represent all facets of your agency, and have the range of skills and knowledge required to successfully implement the ESPC project. The procurement team will include technical, procurement, legal, budget, administrative, and safety & health representatives. The team also will include, as applicable, a representative for the end-user(s) of the facility who would be directly affected by a retrofit project and possible operational changes. Team members will be involved throughout the procurement process, providing specific expertise, as required, addressing procurement issues and developing customized procurement documents.

Members of the procurement team will approach the ESPC solicitation process from many angles. They will seek to meet the basic solicitation requirements while incorporating elements unique to ESPC and the particular needs of their project. To reach that goal, the procurement team should consider the following issues:

- Procedures for handling budget and financial concerns,
- A process for establishing roles and responsibilities, and
- Steps for meeting environmental protection requirements.

1.1 Budget And Financial Concerns

As you know, the ESCO installs ECMs at no capital cost to the Federal Government and is repaid from a negotiated share of the annual utility cost savings achieved by the ECMs implemented. Because this is an innovative method for financing energy retrofits, the procurement team should implement a mechanism for handling ESCO payments and the utility bill.

The budget staff should establish an accounting system to allow for monthly set-asides of funds for ESCO payments and for the agency's share of the savings. The proposed payment schedule will be specified in the contract.

1.2 Memorandum Of Agreement (MOA)

The procurement team may want to prepare a MOA that will establish organizational roles, and outline responsibilities of the team members (including another division in the agency or even another agency) and facility staff where the ESPC project will be carried out. The MOA is not a requirement, but it may help in implementing the ESPC project.

1.3 Environmental Protection Requirements

The procurement team will likely have to address environmental issues and develop mitigation strategies during the ESPC process. The team should also address the possible need for documentation of compliance with the National Environmental Policy Act (NEPA).

If handling of hazardous materials is anticipated, the team should develop a detailed disposal requirements statement that is relevant to the project. The solicitation should

provide the procedures and responsibilities for both the ESCO and the Federal Government for handling and disposing of hazardous materials in accordance with existing Federal, state, and local laws and regulations.

Step 2: Develop Acquisition Strategy – While Step 1 prepared you for the project procurement process by coordinating the appropriate personnel, Step 2 takes you one step further. It requires you to ask and answer the following questions:

- What are the critical needs and issues facing the facility?
- What is the appropriate scope of work, as a minimum?
- What technologies should be included in the scope of work to meet the requirements of proposal preparation and a post-contract award?
- Should we require an ESCO-proposed or Government-established baseline, or a combination of the two?
- What contract term is most appropriate for our needs?
- Which solicitation evaluation process will best serve the agency?

The decision as to how to manage the acquisition should be decided locally. Each facility should weigh the benefits of local management versus the use of a single entity that combines acquisition, technical review, and legal review. The use of such an entity may significantly shorten the time required to prepare and review a solicitation.

Step 3: Assess Needs/Requirements – The third step in implementing an ESPC or any other energy efficiency project is to conduct a preliminary assessment of the energy management needs (including deferred maintenance and needed capital projects such as additions, remodels, equipment replacement, etc.) and priorities of your specific agency or facility, and to identify the personnel who can help meet those needs. This information will form the basis of the overall project definition and strategy for implementing the project.

The personnel identified to help may provide limited, but specific, support or may provide long-term support as part of the project's facility and management team. This team will support the project throughout the technical and procurement phases.

Before collecting new information for the preliminary assessment, you should find out if any previous facility audit information is available. With minor update, this information may meet your basic requirements. You also should review your agency's 10-year plan (developed under Executive Order 12902) for conducting comprehensive facility audits. Your facility may be scheduled for an audit in the near future. The more informed you are in the beginning, the easier it will be for you to assess your options for an energy efficiency project. Figure 2 (as well as Appendix C) provides a checklist of potential energy conservation measure (ECM) projects you may want to include for this preliminary assessment.

Figure 2. Potential Energy Conservation Measure (ECM) Projects

The following list (though not exhaustive) of potential ECMs includes:

(Note: Project manager/technical staff should insert additional ECMs or delete any ECMs listed, as applicable, to the potential scope of work.)

- () Interior and Exterior Lighting Replacement
- () Transformer Replacement
- () Lighting Control Improvements
- () Motor Replacement with High Efficiency Motors
- () Co-generation Facility Installation
- () Boiler Control Improvements
- () Packaged Air Conditioning Unit Replacement
- () Cooling Tower Retrofits
- () Economizer Installation
- () Occupancy Sensors
- () LED Exit Sign Installation
- () Fans and Pump Replacement or Impeller Trimming
- () Chiller Retrofits
- () HVAC DDC Control System Installation
- () Upgrade of Natural Gas-Fired Boilers with New Controls
- () Steam Trap Maintenance and Replacement
- () Insulation Installation
- () Variable Speed Drive Utilization
- () Weatherization
- () Window Replacement
- () Reflective Solar Window Tinting
- () Daylighting
- () Solar Hot Water System Installation
- () Photovoltaic System Installation
- () Replacement of Air Conditioning & Heating Units with Heat Pumps
- () Window Air Conditioning Replacement with High Efficiency Units
- () Water Conservation Devices
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Step 4: Collect Data – Step 4 is to collect enough information to adequately describe the building and its energy consuming systems. These data, which will be included in the solicitation, provide ESCOs with the information they need to be able to submit accurate proposals. Be prepared to provide additional information as it relates to the facility’s usage, expenditures and budget.

Step 5: Prepare Solicitation And Source Selection Plan – In Step 5, you will selectively merge the project information (compiled in Steps 1 through 4) into a cohesive procurement document – the solicitation. This document will be used to solicit proposals from ESCOs who are interested in making the required energy efficiency improvements. The solicitation will describe what the Government requires from the ESCO (in the technical and price proposals) and how the Government will evaluate the proposals. The ESCOs will be asked to submit proposals in two phases: (1) initial offers without an energy survey and (2) final offers with an energy survey. The initial offers will be evaluated to determine the competitive range, i.e., which vendors will be required to complete a final offer including a comprehensive energy audit and economic feasibility analysis. Details of these processes are provided in Step 7 and 8. An Estimated RFP Timeline is provided in Figure 3 as a measure of the approximate length of time required to complete Steps 5-10. The actual length of time will vary from facility to facility.

5.1 Uniform Contracting Format

This format provides the basis for all solicitations, ESPC and otherwise. However, ESPC is unique in that it combines elements of supply, engineering and design, construction, and services procurements. The Uniform Contracting Format is provided in Figure 4. The VA ESPC boilerplate follows this format and can be found at Web Site: www.va.gov/oa&mm/busopp/formats.htm. Additional notes for contracting officers and specifications writers are provided in the Appendix A.

5.2 Modifying Model Solicitations

The scope of the solicitation you develop can be as broad or restrictive, as you need it to be. However, establishing a broader scope for an ESPC allows a more flexible assessment of ESCO capabilities. It also allows for greater flexibility in bundling required ECMs with desired ECMs or expanding the project if necessary.

5.3 Source Selection Plan

The Source Selection Plan details the roles, responsibilities and procedures of the proposal evaluation teams. The teams typically consist of the Technical Evaluation Board, the Source Selection Board, and the Source Selection Authority. The individuals selected for these teams should be well aware of and involved with the project so that they understand the project requirements.

Figure 3. Estimated RFP Timeline

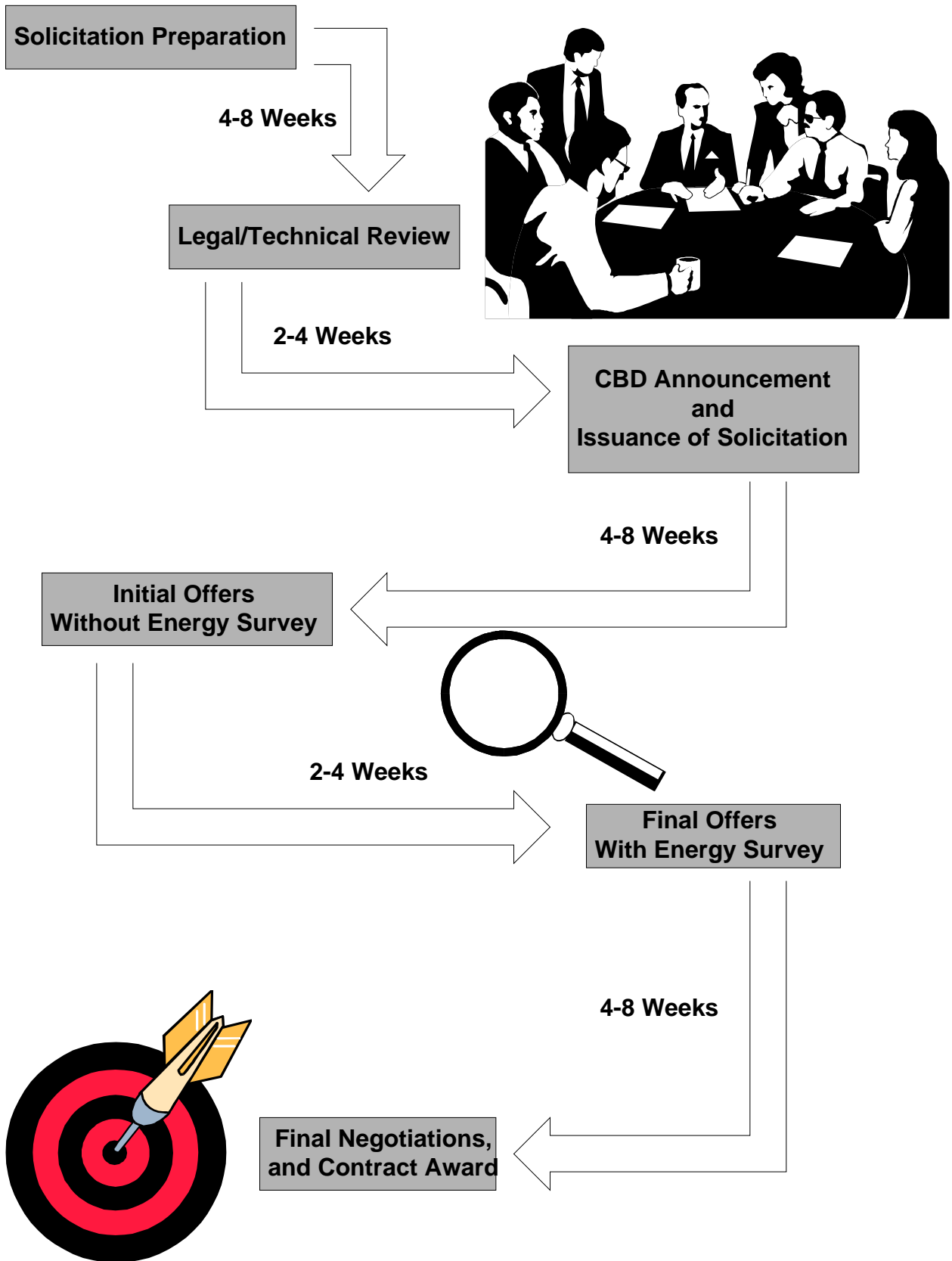


Figure 4. Uniform Contracting Format (FAR 14.201 and 15.406)

Part I – The Schedule

A.	Solicitation / Contract Form	The first page of the solicitation (e.g., SF33), with general instructions on when and where to submit offers and blocks for the offeror’s name and address.
B.	Supplies or Services and Prices/Costs	List of the required supplies/services being acquired, with blocks for offeror’s to fill-in prices. Section B-1 will provide a synopsis of the required service, B-2 a complete description and listing of schedules required by the contract.
C.	Description/Specifications/Work Statement	Supplements the brief statement in Section B to fully describe the supplies or services being acquired and permit full and open competition.
D.	Packaging and Marking	Specifies how the item must be packaged, packed, preserved, stored, and/or marked, as appropriate.
E.	Inspection and Acceptance	Specifies when, where, and how the deliverables will be inspected and accepted, as well as the contractor’s obligations for Quality Assurance.
F.	Deliveries or Performance	Specifies when, where, and how the items(s) must be delivered, or when and where the services must be rendered.
G.	Contract Administration Data	Used for accounting and appropriation data and for additional contract administration information or instruction, such as the name and location of the government activity that will (1) administer the contract and (2) make payments under the contract.
H.	Special Contract Requirements	Used for requirements that occur on a contract-by-contract basis (e.g., special needs related to this contract)

Part II – Contract Clauses

I.	Contract Clauses	Includes or references most clauses that will apply to the work under the contract, including such matters as contract execution and interpretation, bonds, type of contract, set-asides, subcontracting, foreign sourcing, labor management relations, environmental protection and occupational safety, patents and rights in data, payments, taxes, property, warranties, modifications, termination, and disputes.
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Figure 4. Uniform Contracting Format (FAR 14.201 and 15.406) continued

Part III – List of Documents, Exhibits, and Other Attachments

J.	List of Documents, Exhibits, and Other Attachments	The Contracting Officer lists the title, data, and page number for any attachments.
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Part IV – Representatives and Instructions

K.	Representations, Certifications, and Other Statements of Offerors or Bidders	Used for obtaining certifications (e.g., Independent Price Determination, Non-segregated Facilities, Buy American, Clean Air and Water, Drug-Free workplace, etc.) representations, and other data from the offerors.
L.	Instructions, Conditions, and Notices to Offerors or Bidders	Used to instruct offerors on preparing and submitting the offers, including such matters as bid samples, descriptive literature, amendments, late submissions, failure to submit, and the like. Also notify offerors on such matters as pre-award inquiries, award, and submission of protests.
M.	Evaluation of Factors for Award	Tells prospective offerors how offers will be evaluated (e.g., price-related and technical factors).

Step 6: Announce Solicitation – Once the draft ESPC solicitation and the Source Selection Plan have been completed and reviewed by the appropriate technical, legal, and procurement officials, it is time to announce the solicitation in the *Commerce Business Daily* (CBD).

- Obtain Management Approval (and guarantee that funding will be available for the first year)
- Issue Solicitation
- Pre-Proposal Conference
- Proposal Evaluation
- Pre-Negotiation Business Clearance
- Post-Negotiation Business Clearance
- Notify Selected ESCO/Pre-Award Requirements
- Notify Congress Of Award - Title VIII of NECPA, 42 U.S.C. SS 8287(a)(2)(D)(iii) requires that: “30 days before the award of any such contract that contains a clause setting forth a cancellation ceiling in excess of \$750,000, the head of such agency gives written notification of such proposed contract and of the proposed cancellation ceiling for such contract to the appropriate authorizing and appropriating committees of the Congress;”

Step 7: Initial Offers Without Energy Survey – Step 7 begins the process of evaluating those vendors interested in performing the ESPC. The evaluation process will consist of two phases. The first phase is to request background information on the vendors, to better enable the Government to evaluate the capabilities of the responding firms. Each vendor will be required to submit a qualifications package. The qualifications proposal will address three areas: (1) technical capabilities and ESPC experience; (2) Management/Maintenance Plan; (3) Financial. The information requested should be readily available to all qualified vendors. It is recommended that a 100-page limitation be placed on the Initial Offers submittals to simplify the process for vendor and VA facilities. A sample *Evaluation Factors for Initial Offers Without Energy Survey* is provided in Figure 5 (as well as Appendix D) to assist VA facilities.

Submittals for Step 7 are limited to those firms on the Department of Energy’s (DoE) pre-qualified list that respond to the solicitation announcement. Companies currently on the DoE list of pre-qualified contractors were selected based on their qualifications and experiences. Information of a broad and general nature was submitted for consideration by an evaluation board. The Initial Offers Without Energy Survey differs from the DoE submittal only in that a specific site and several specific technologies or energy conservation measures (ECMs) are identified.

The purpose of the Initial Offers Without Energy Survey is the **determination of a competitive range or rank order** for conducting negotiations with firms interested in performing energy conservation work. Appendix B contains detailed information on what an Initial Offers Without Energy Survey submittal should contain. Upon completion, each submission will be ranked using the Evaluation Factors for Initial Offers. Three (3) ESCOs will be selected to complete Step 8: Final Offers With Energy Survey.

Figure 5. Evaluation Factors for Initial Offers Without Energy Survey

Evaluation Factors	Description of Evaluation Factors	Points
<p>1. Technical Capabilities and ESPC Experience</p>	<p>The experience and expertise to complete comprehensive facility energy audits. The expertise to establish an energy baseline and savings calculation capability (meaning demonstrated ability to provide technically acceptable energy audit reports with recommended energy efficiency improvements and estimates of energy reduction as well as savings measurement and verification).</p> <p>The experience and expertise to design, install, operate, and maintain mechanical energy consuming systems e.g., HVAC, chillers, compressors, etc.</p> <p>The experience and expertise to design, install, operate, and maintain electrical energy consuming systems, e.g., lights, motors, control systems, electrical prime movers for mechanical equipment, etc. Electrical savings include energy (kWh) and demand (kW) reductions.</p> <p>The experience and expertise to design, install, operate and maintain photovoltaic, co-generation, and wind energy conversion systems, as appropriate.</p> <p>The experience and expertise to design, install, operate and maintain natural gas heating and cooling systems, as appropriate.</p> <p>The experience and expertise to train government personnel to operate and maintain ESCO installed equipment.</p> <p>The experience and ability to bring energy conservation projects on-line on schedule.</p> <p>The experience and capability to ensure that actual savings meet or exceed projected savings.</p> <p>The experience and expertise to develop multiple energy baselines for multiple technologies.</p> <p>The experience and expertise to perform monitoring, measurement, and verification of multiple energy conservation technologies.</p>	<p>50</p>

Figure 5. Evaluation Factors for Initial Offers Without Energy Survey (cont.)

<p>2. Management/Maintenance Plan</p>	<p>A plan for managing operation in a manner that will best ensure the ESCO’s guaranteed savings are achieved. The management plan shall include organizational flow charts, management personnel, and the relationship of the operation to the corporate headquarters. The management plan should include details of how operations and maintenance functions will be managed to ensure quality performance and maximum energy efficiencies.</p> <p>Qualifications and experience of ESCO personnel, joint venture team members’ personnel, or known subcontractors with federal agency Shared Energy Savings/Energy Savings Performance Contracts.</p> <p>Qualifications and experience of contractor personnel, joint venture team members’ personnel, or known contractors with federal energy projects.</p>	<p>25</p>
<p>3. Financial</p>	<p>The risk and realism of the ESCO’s Financial Plan should detail how the ESCO proposes to finance the operation.</p> <p>The financial stability of the ESCO as reflected in certified financial statements.</p> <p>The major areas of financial risk associated with construction, financing, operations, and business economics; the placement of those risks on either the Government or the ESCO, and how those risks are mitigated.</p> <p>The acceptance of the proposed contract provisions regarding guaranteed savings, lien, ownership, etc., and any proposed contract provisions to minimize risk to the Government.</p> <p>The financial stability of the ESCO regarding the filing of bankruptcy within the past five years.</p>	<p>25</p>
<p>4. TOTAL</p>		<p>100</p>

Step 8: Final Offers With Energy Survey - The eighth step in the ESPC process is for the three (3) ESCOs (selected in Step 7) to conduct an energy survey, determine the baseline approach, perform an economic viability analysis for the proposed energy conservation measures (ECMs), and evaluate the ESCOs proposals. This will require the ESCOs to make site visits and perform an extensive analysis of the facility and its needs to complete the final offer. It was for these reasons that the solicitation was done in a two phase process.

8.1 Conduct Energy Survey

The three (3) ESCOs selected in Step 7 will conduct an energy and facility operation survey. The survey consists of gathering information on building energy use and utility company incentives. This information will enable the ESCOs to identify applicable energy savings technologies and energy conservation measures (ECMs), and determine the benefit of installing those technologies. The information you gathered in Step 3 on your agency/facility priorities will assist the ESCOs in determining the types of technologies you want surveyed and their priority. The survey should consist of the following approaches:

- Utility demand side audit, if available
- In-house facility audit
- Contracted facility audit
- Federal Energy Management Programs (FEMP's) SAVEnergy Audit and Action Plan program

In collecting data for the energy survey, the ESCOs may want to perform any one or more of the following tasks:

- Review utility company incentives
- Review agency actions
- Identify data needs
- Review the operating budget
- Benchmark the facility's costs to others
- Identify potential ECMs
- Compile preliminary survey information

Identify Energy Conservation Measures (ECMs) - It is important to view every aspect of your facility as an area of opportunity to improve energy efficiency or reduce energy costs. Potential ECMs are categorized into seven broad categories:

- Building Envelope ECMs
- Heating, Ventilation, and Air Conditioning (HVAC) Equipment ECMs
- HVAC Distribution and Water Heating System ECMs
- Lighting and Power System ECMs
- Types of Energy Management and Control Systems (EMCS)
- Types of Heat Reclaim Systems
- Types of Renewable Energy Systems

Possible ECMs to consider under the seven categories follow:

Building Envelope Energy Conservation Measures

- Reduce heat conduction through ceilings, walls, and floors
- Reduce solar heat gain through roofs
- Reduce heat conduction and long-wave radiation through windows
- Control solar heat gain through windows
- Reduce infiltration

HVAC Equipment Energy Conservation Measures

- Reduce ventilation
- Improve chiller efficiency
- Improve boiler/furnace efficiency
- Improve air conditioner or heat pump efficiency
- Adjust space temperature and humidity set points
- Reduce energy used for tempering supply air
- Use energy-efficient cooling systems
- Use water-loop heat pumps

HVAC Distribution and Water Heating System Energy Conservation Measures

- Reduce distribution system energy losses
- Reduce system flow rates
- Reduce hot water loads
- Reduce hot water system losses
- Use energy-efficient water heater systems

Lighting and Power System Energy Conservation Measures

- Reduce illumination requirements
- Install energy-efficient lighting systems
- Use daylighting
- Reduce power system losses
- Install energy-efficient motors
- Reduce peak power demand

Types of Energy Management and Control Systems

- Reduce operating hours
- Use temperature setup/setback
- Use time-of-day shut downs (there are utility companies in the Northeast that offer lower utility rates or pay you to shut down)
- Employ duty-cycling
- Supply air temperature reset
- Supply hot/chilled water temperature reset
- Purge ventilation
- Economize cooling
- Limit demand

Types of Heat Reclaim Systems

- Double bundle chillers
- Boiler blow-down
- Incinerator
- Combustion system flue gas
- Piggyback absorption
- Heat-of-light
- Refrigerator hot gas
- Steam condensate
- Waste water

Types of Renewable Energy Systems

- Solar hot water/pre-heat (flat plate, parabolic concentrators)
- Solar air pre-heat (transpired collectors)
- Photovoltaic systems
- Wind energy systems

8.2 Determine Baseline Approach

The baseline approach is the most important technical issue for this type of contract because it is used to determine energy savings delivered by the ESCO and the resulting payment to the ESCO. This step addresses the following issues:

- *What is a Baseline?* A baseline is a snap-shot of how energy is currently used in a building by its various components, i.e., lighting, chillers, fans, hot water heaters, elevators, etc. The baseline defines how building systems use utilities before ECMs are installed. In other words, a baseline is the amount of energy that would have been used had no ECMs been installed.
- *Why is a Baseline Needed?* A baseline is needed so that the ESCO and the agency can agree upon the starting point from which energy savings will be measured. The baseline, along with the methods used to calculate energy savings performance, is the essence of the ESPC partnership between private industry and the government. Because the baseline may change over time, mechanisms to adjust baselines (as required) also must be agreed upon at the beginning of the contract. Remember, an ESPC pays the ESCO based on the delivery of energy savings. Delivery of energy savings is determined by comparing energy use after ECMs are installed with the baseline energy use. The baseline and methods to verify savings also give an indication of the level of financial and technical risk of providing energy savings services.

8.3 Perform Economic Viability Analysis

At this point in the ESPC planning process, the ESCOs have completed a preliminary assessment of your agency and facility requirements and have conducted an energy survey of your facility. You have also identified “desired” ECMs to implement in Step 3. At this point, the ESCO will:

- Evaluate the economic feasibility of implementing those ECMs at your facility, and

- Address issues that might impact overall project viability.

There are two rules of thumb to keep in mind when assessing the economic viability of an ESPC project:

Rule 1: The annual dollar savings potential should be greater than \$25,000 per year.

Rule 2: The ESPC project term is typically two times the “simple payback.” The simple payback is the period of time it would take the Government to recover its investment (from the energy savings) if the project were paid for with appropriated funds.



NOTE: Maximize Agency Benefits

To get the maximum benefit for your agency, you may want to “bundle” or combine short- and long-term payback ECMs in a single ESPC contract. This enables you to use short-payback ECMs to pay for needed ECMs with longer paybacks or higher capital investment needs. You might also consider bundling additional buildings to be retrofitted along with the planned building(s).

If you would like to replace aging equipment, such as a chiller, but are unwilling to enter into a 15-year (or longer) ESPC contract required for such a project, consider bundling several retrofits with shorter paybacks to reduce the term of the overall contract. Another means of reducing contract length would be for the facility to make an additional payment, over and above the amount received from the energy savings.

8.4 Evaluate ESCOs

The Procurement Team will review the detailed energy survey, baseline approach, and economic viability analysis submitted by the three (3) ESCOs selected under Step 7. A sample *Section M: Evaluation Factors for Award* (Best and Final Offer With Energy Survey Evaluation Factors for Award) is provided in Figure 6 (as well as Appendix D). The evaluation consists of seven factors: ECM(s) Description and Energy Savings; Energy Baseline and ECM Performance Measurement; Past Performance; Management Approach; Operations, Maintenance, and Training; Price; and Additional Best Value Considerations. The Additional Best Value Considerations factor is included to allow ESCOs to propose ESPCs that the facility did not originally consider. (It should be noted that the ESCOs submitted information on several of these factors with the Initial Offer Without Energy Survey.) The team will use the Best and Final Offer With Energy Survey Evaluation Factors for Award to select the ESCO.

Figure 6. Best And Final Offer With Energy Survey Evaluation Factors For Award

The following is an example of evaluation factors (for award) and recommended point values. Additional criteria or alternate point values can be added based on the characteristics of the local facility.

Section M: Evaluation Factors for Award

Evaluation Factors	Description of Evaluation Factors	Points
1. ECM(s) Description and Energy Savings	Technical feasibility, reasonableness, acceptability of proposed ECM(s); basis of energy analysis and savings; impacts on facility(s); suitability of equipment; and, potential for environmental impact.	25
2. Energy Baseline and ECM Performance Measurement	Acceptability and simplicity of: proposed energy baseline and adjustment factors; methods and schedules to verify ECM energy savings and compliance with performance requirements; and, methods for annual energy audit.	10
3. Past Performance	Listing of other ESPC projects that are similar in size and scope, with emphasis on those done for VA and other health care facilities. Include statements regarding the following: quality of product or service, timeliness of performance, cost control, business relations, customer satisfaction, and how conflicts were resolved.	25
4. Management Approach	Adequacy of offeror’s organization to manage and accomplish ECMs; qualifications of key personnel, including educational background, years of experience, awards received, unique credentials, etc.; ability to meet project schedule; quality assurance plans; demonstrated and documented skills and processes to deliver the savings; and, a customer-focused approach to handle the unanticipated.	10
5. Operations, Maintenance, and Training	Ability to respond to emergency and routine calls for equipment repair; implementation plan for innovativeness in handling service needs and deferred maintenance; and, ability, flexibility and creativity in training government personnel.	10
6. Price	The offeror whose price proposal offers the greatest estimated annual cost savings and cost avoidance strategies shall be ranked highest for this factor	20
7. SUBTOTAL		100
8. Additional Best Value Considerations	The offeror may propose additional ECM(s) for consideration.	10
9. TOTAL		110

Step 9: Award Contract – At the conclusion of Step 8, each ESCO will have been ranked. The Procurement Team will now enter into final negotiations with the ESCO receiving the most points and award the contract.

Step 10: Contract Administration – The last step in the ESPC process is to ensure that your project is a success. To achieve this objective, the following contract administration procedures are recommended:

- Conduct a post-award conference.
- Review the ESCO's ECM installation plans.
- Monitor ESCO progress.
- Oversee the performance of annual energy audits.
- Ensure that your personnel are trained.

Notes To Contracting Officers/Specification Writers

This guide is for contracting and program officials and highlights the salient provisions of the Department of Energy regulations (Title 10 Code of Federal Regulations (CFR) Section (§) 436, Subpart B) that implement the ESPC requirements of the National Energy Conservation Policy Act (42 United States Code (USC) § 8287). It will be of assistance to contracting and program officials who will be negotiating and administering ESPCs with Department of Energy qualified contractors and public utilities.

1. General

- (a) Contract term may not exceed 25 years;
- (b) Contractor **shall** incur the costs of implementing energy savings measures, including the costs of energy audit, acquiring and installing equipment, and training personnel, in exchange for a share of the energy savings that will be realized during the term of the contract;
- (c) Payments made by the VAMC under the ESPC may be made from funds appropriated annually or otherwise available for payment of energy expenses and related operation and maintenance expenses otherwise incurred without the ESPC;
- (d) Aggregate annual payments by the VAMC for the cost of utilities and the ESPC may not exceed the total amount the VAMC would pay for utilities and related operations, maintenance and repair costs (as estimated during the contract years) without an ESPC;
- (e) The solicitation should include a statement that the competitive range will be determined based upon initial offers submitted without an energy audit. Best and final offers must incorporate the results of an energy audit. This is to minimize the expense and burden of conducting a comprehensive energy audit to vendors **not** determined to be within the competitive range.
- (f) If the proposed contract includes a cancellation ceiling in excess of \$750,000, the head of the agency must give written notification to the proposed contract and the proposed cancellation ceiling to Congressional authorizing and appropriating committees;
- (g) The ESPC is subject to Federal Acquisition Regulation (FAR) Subpart 17.1 (Multi-Year Contracts), except as otherwise provided in 10 CFR § 436.34;
- (h) The contract **shall** require an annual energy audit to verify savings and ensure payments are accurate;

- (i) The contract **shall** incorporate the terms and conditions of both payment and performance guarantees. Contracting Officer's shall consider limiting bonding requirements to the (cost of the) construction portion of the contract, plus one year as applicable (refer to Article H.25);
- (j) Since the contractor will be compensated only for actual, measurable energy savings, the ESPC must accurately define the energy baseline, projected energy use, and the method by which savings will be measured. The annual energy audit will review and readjust the energy baseline, as needed, to reflect changes in facility/energy use, etc.

2. Competition

- (a) A list of vendors, who are determined to be "qualified" to perform ESPCs, will be compiled by the Secretary of Energy, and will be updated annually. This qualified list shall be used to provide a gross screening for VA in order to comply with statutory requirements. Contracting Officers **shall** conduct a complete and detailed analysis of the offeror and its qualifications as part of the technical evaluation process pursuant to the dictates of Section M;
- (b) VAMC will use this list unless the VA develops its own "qualified" list;
- (c) Contracting Officer's **shall** review the DOE (and VA, if developed) pre-qualified listing to determine if there is a reasonable expectation that (1) offers will be obtained from at least two responsible small business concerns offering the products of different small business concerns; and (2) award will be made at fair market prices (see FAR subpart 19.502-2(b)) for determination of small business set-aside.
- (d) Technical and price proposals, including the text of any third-party financing agreement, will be requested from interested, "qualified" firms;
- (e) VAMC may provide for a two-step selection process, which allows for an initial selection of a contractor based, in part, on proposals containing estimated energy cost savings and energy unit savings, with the contract award conditioned on confirmation, through a detailed energy survey, that the guaranteed energy cost savings are within a certain percentage, as specified in the solicitation, of the estimated amount of the savings;
- (f) If VAMC requires a detailed energy survey which identifies life-cycle cost effective energy conservation measures not in the initial proposal, the contract should include such measures;
- (g) Based on the evaluation of the technical and price proposals submitted, any applicable financing agreement, statements of qualifications, and any other information determined to be relevant, the VAMC may select a firm on a "qualified" list;

- (h) After a firm is selected in accordance with Section M, but prior to award, the VAMC may require (as identified in the Request For Proposals [RFP]) that the selectee conduct a detailed energy savings survey to confirm that guaranteed energy cost savings are within a certain percentage (specified in the RFP) of the estimated energy cost savings in the selectee's proposal. If the survey does not confirm this fact, the VAMC may select another "qualified" firm from the competitive range;
- (i) Contracts will be firm fixed-price, and include all applicable FAR/VA Acquisition Regulation (VAAR) clauses; and
- (j) Certified cost or pricing data will be waived (see § 304(b)(1)(B) of the Federal Property and Administrative Services Act of 1949, as amended, and 10 CFR § 436.33(c)), but offerors must submit information, including price information, required by the VAMC to ensure the impartial and comprehensive evaluation of proposals.

3. Standard Contract Terms and Conditions

The contract will contain clauses--

- (a) Authorizing modification, replacement, or changes of equipment with the prior approval of the Contracting Officer and at no cost to the agency;
- (b) Specifying that title to the equipment shall unconditionally remain with the contractor until contract completion (except where Termination for Default or Termination for Convenience is in order);
- (c) Requiring prior approval of the Contracting Officer of any financing agreement;
- (d) Providing for an annual energy audit, consistent with 10 CFR § 436.37;
- (e) Providing for a **guarantee** of energy cost savings to the agency, and establishing payment schedules reflecting such guarantee;
- (f) Permitting the financing source, if any, to perfect a security interest in the installed equipment, **subject to and subordinate to the rights of the agency.** The rights of any perfected, secured creditor shall be subject to and subordinate to the rights of VA to maintain possession of the equipment throughout the entirety of the contract performance period irrespective of whether performance is earlier terminated;
- (g) Permitting the contractor, in appropriate circumstances, who defaults on an ESPC, or who does not cure the failure to make timely payments, to assign its rights under the contract to the financing source; and
- (h) Requiring that terminations of an ESPC are subject to the procedures of FAR Part 49.

- (i) Contracting Officer's are reminded that selection of the Standard Industrial Classification (SIC) Codes is based on the industry accounting for the greatest percentage, not necessarily majority, of the contract price (see FAR subpart 19.102(d)). If SIC Codes 15, 16, or 17 are selected, the solicitation **must** be issued under the Small Business Competitiveness Demonstration Program.

4. Alternate Dispute Resolution (ADR) Procedures

The Contracting Officer should use Alternate Dispute Resolution procedures when applicable. For additional information regarding ADR, please contact Ms. Pat Sheridan, Administrative Hearing Officer, VA Board of Contract Appeals, on (202) 273-6743

5. Specification (Spec) Writer Notes

Spec writer notes have been included in the following boilerplate as instructions to Contracting Officers and program officials. All spec writer notes are annotated in **bold** and *italic* print. They are preceded and followed by either brackets (*//*) or slashes (*//*). Spec writer notes must be deleted before finalizing the solicitation. Information surrounded by slashes indicates various choices available when developing project specific specifications.

6. Pre-Award Program Issues

- (a) Unfunded contingent liabilities create a potential for adverse judicial determinations. Who will guarantee that there will be available funds to support the total capital investment in the event that an ESPC is terminated?

In the event that an ESPC is terminated, the Veterans Integrated Service Network (VISN) Director or the Director at the Medical Center will guarantee that there will be funds to support the total capital investment by the contractor. This function is decentralized and formally delegated to the Networks.

- (b) Projects should be treated as any other capital investment (e.g., prioritizing, planning, and budgeting). Given the potential reduction in VA budget and the potential closing of VA Medical Centers (VAMCs), will the Department pursue unlimited projects and generate unlimited, unfunded liability?

VISN staff will select ESPC proposals at sites where closure/downsizing are not planned. The VISN Director will be controlling the funding of projects as well as the potential for closing Medical Centers in his/her area.

- (c) VA funding opportunities should be explored in the event a contractor's proposal is excessive although the project is viable. For example, VA is paying an interest

rate of 18.9 percent on a project. Is this an economically appropriate project considering the interest rate?

VA would like to fund all of its energy related viable and cost-effective projects, however, since the funding levels of these projects have been tremendously reduced, ESPC is one option to get these projects accomplished. VA does not like to pay 18.9 percent interest on third party contractor's investment, but we have no other alternative and in certain Medical Center's case these projects need to be absolutely accomplished. To further support the ESPC concept, the example project is still cost effective, even at that interest rate. It is noted that interest rates for ESPC investments are currently in the 12-15% range, and lower in some parts of the country.

- (d) There is no absolute right of the Government to maintain possession against a perfected secured interest (i.e., Government does not own or have title to installed Energy Conservation Measure (ECM) equipment. Will VA allow third party/financier liens on ECMs or allow a third party to remove the ECM?

ECM equipment installed becomes an integral part of the facility and although liens are allowable, it is not an issue after installation. Also the third party/financier will not need to remove any equipment from the facility. Part of this issue, before installation is complete, is covered by the Performance Bond. Also, see paragraph (a) above.

- (e) Training regarding proposal evaluation and contract administration by technical representatives should be required. The Department of Energy (DOE) training course provides a resource for accomplishing this recommendation.

If a Medical Center entertains to do an ESPC, the Contracting Officer and the Contracting Officer's Technical Representative will attend the course offered by DOE or an equivalent training activity.

7. Pre-Award Project Issues

- (a) ESPC projects should require evaluation and Benefit Cost Analysis (BCA) to determine best value to the Government. Will there be any controls, guidance, and/or management review?

This function should be centralized. A team with personnel from Engineering, Acquisition and Materiel Management, and Capital Budgeting and Oversight Service will recommend the viability or non-viability of the proposed projects. The final determination will be made by the VISN Director, but we see an independent project review necessary to help ensure only the best projects are undertaken.

- (b) A review of project viability insofar as equipment and financial capability of offeror should be made. Who within VA has the expertise/assignment to do so?

This should be the responsibility of the Medical Center. In our opinion, there is no need to look at the equipment as the contractor will install the most energy efficient equipment to generate maximum energy savings. The financial capability of the

offeror should be checked against the approved list of qualified contractors developed by DOE. Contractors are required to post performance as well as payment bonds as explained in the Request for Proposals. Contracting Officers will evaluate offeror's competence as is done in the existing process as well.

- (c) Procedures regarding funding of first year costs need to be established as funds must be available and adequate for payment of these costs irrespective of potential savings.

The Network and the Medical Center Directors will ensure that the funding will be available for the first year.

- (d) A mechanism needs to be in place for reporting to Congress, 30 days prior to award, any unfunded liability in excess of \$750,000.

Headquarters' team (specifically Capital Budgeting and Oversight Service), established under paragraph (a) above, will develop standardized notification procedures to inform Congress regarding unfunded liability in excess of \$750,000.

- (e) The boilerplate contains an option for either the Government or the contractor to operate, maintain, and repair ECMs. Should a national policy be established as to which option is used for all ESPCs or should this decision be at the discretion of each Medical Center?

There will be no National policy. The decision should be made at the VISN and the Medical Center level where the staff is most familiar with each specific project.

8. Post Award Program Issues

- (a) There is no contingency source for funding of, and no contractual obligation for the contractor to perform, additional work resulting from differing site conditions, unforeseen conditions, and hazardous materials (asbestos, PCBs, CFCs). How will these situations be handled when encountered?

The VISN Director will be responsible to provide funds for such unforeseen conditions as he/she controls funds for Medical Centers in each VISN.

- (b) Agencies are not authorized to retain funds in excess of 50 percent of savings realized from ESPCs. There is no mechanism in place to account for proceeds from savings and rebates as required by statute. Retained savings are authorized to fund future projects, however, there is no mechanism in place for such funding.

9. Post-Award Project Issues

- (a) Procedures should be established for the use of savings realized. Are savings considered operating funds? Will projects funded by savings be limited to

\$150,000 capital improvement? Can savings be used for purchase of capital items or buildings?

ESPC projects are considered as NRM projects and therefore have no capital improvement limitation of \$150,000. The savings generated by ESPC projects can be used by Network/VAMCs for energy related projects or equipment, however, for the first few years until the new process is monitored, the savings should be strictly used to cover unforeseen energy related projects needs. This should be managed by the VISN Director.

- (b) The draft boilerplate contains provisions for equitable adjustments when baseline changes are related to weather conditions. What proof will be required from the offeror to support such adjustment? How will these adjustments be funded?

When contractor annually adjusts his baseline and if it is related to weather conditions, he will use the weather data that is provided by the National Weather Bureau as a proof. The adjustments will be funded, if required, by the Network or VAMC from operating funds.

- (c) The draft boilerplate contains two options for resolving loss or damage to contractor property. Should a national policy be established as to which option is used for all ESPCs or should this decision be at the discretion of each Medical Center?

The draft boilerplate should be amended to state only one option and that is, the Government shall be responsible for loss or damage to the property of the contractor only to the extent authorized by the Federal Tort Claim Act.

Contents of Initial Offers Without Energy Survey

To better enable the Government to evaluate the capabilities of responding firms, each is requested to provide a qualifications and proposal package consisting of two volumes. Volume 1 consists of the questionnaire and the qualifications information, and Volume 2 shall consist of a sample facility energy audit report. There is a 100-page limitation that applies to Volume 1 only. Pages printed on both the front and back will count as two pages. If the response exceeds 100 pages, the pages will be numbered and all pages numbered above 100 will be removed and not evaluated. (Sample energy audits will not count toward the page limit.)

1. Performance Contracting Experience and Demonstrated Technical Capability: List and briefly describe up to ten performance contracting projects, completed by your firm during the past five years, which best illustrate the full range of the firm’s experience (e.g., technologies and magnitude of undertaking) relative to ESPC. The contractor should provide the following information for each project that is addressed using the same, or a very similar, format as that provided below:
 - a. Project title and location
 - b. Facility type (i.e., office, warehouse, hospital, etc.)
 - c. Square footage of the project area
 - d. Responsibilities of the ESCO (check all that apply):
 - Complete the energy audit
 - Identify energy projects and project savings
 - Design of projects
 - Secure/provide financing
 - Install/implement project
 - Maintain project after installation
 - Train Government personnel
 - Monitor, measure and verify savings
 - e. Energy savings technologies implemented (i.e., HVAC, lighting, motors, building envelope, etc.)
 - f. Scheduled and actual starting and ending dates of contract, the design phase, the construction/retrofit phase, and the monitoring/verification phase.
 - g. Project construction cost (the dollar amount of the ESPC contract awarded to your firm)
 - h. Type of financing secured by the ESCO, name of lending institution, and point of contact at the lending institution. (If none, so state.)
 - i. Identify who performed the work (i.e., ESCO, subcontractor, facility owner, etc.) and check all that apply):

ESCO Subcontractor Owner Work Description

_____	_____	_____	Audited facility
_____	_____	_____	Identified energy projects & projected savings
_____	_____	_____	Designed project
_____	_____	_____	Secured/provided financing
_____	_____	_____	Installed/implemented project
_____	_____	_____	Maintained project after install/implementation
_____	_____	_____	Trained Government personnel
_____	_____	_____	Monitored, measured & verified actual savings

- j. Provide the projected and actual savings for each year of the contract, and identify what is included in the savings (i.e., energy or both energy and maintenance) and any performance guarantees.
 - k. Provide the name, position and telephone number of the Project Officer or point of contact (within the facility owner’s organization) who could provide additional information on the project.
2. Comprehensive Facility Energy Audit Report (excluded from page count limitation, and to be submitted in a separate volume):
- a. Provide a written description, including a list of specific review items, of your firm’s energy audit methodology.
 - b. Provide, as a sample, a detailed written facility energy audit report completed for a local, state or Federal Government client (preferably a Department of Veterans Affairs or other hospital activity). Identify whether the report was prepared for a local, state, or Federal Governmental client. If no audits have been completed for a Government client then provide, as a sample, a detailed written facility energy audit report completed for a private sector client. If an audit report from a private sector client is submitted, it will be assumed by the Government evaluators that the ESCO has not prepared such reports for a Government client.
3. Energy Baseline, Savings Projections, and Savings Measurement and Verification Capability:
- a. Describe the methodology which you typically use for establishing the energy baselines, and the method or methods used to adjust the baseline due to facility use changes.
 - b. If multiple baseline methods are used, identify the applicable energy technologies for each.
 - c. Describe the methodologies typically used for measurement and verification of energy savings. If multiple methods are used, identify the applicable energy technologies for each method.

4. Corporate/Team Organization and (*insert name of VAMC*) Project Management:

- a. Provide a plan for managing the (*insert name of VAMC*) operation in a manner that will best ensure the ESCO's guaranteed savings are achieved. The management plan shall include organizational flow charts, identify management personnel, and outline the relationship of the (*insert name of VAMC*) operation to the corporate headquarters. The management plan should include details of how operations and maintenance functions will be managed to ensure quality performance and maximum energy efficiencies.
- b. If your firm (the ESCO) will operate as a prime contractor with subcontractors, provide the ESCO's corporate organizational structure indicating those personnel with past experience in energy savings performance contracting with Federal agencies. List all professional and skilled trades which your firm customarily performs with its own employees, and those to be performed by subcontractor personnel. Provide the following information for each key staff member of the corporate staff: name, job title, responsibility on projects, and years of experience with emphasis on performance contracting, energy auditing, and shared energy savings.
- c. If your firm (the ESCO) will operate as a team member, provide the organizational structure of any joint venture or teaming arrangements indicating the individual companies (team members), their responsibilities, and the authority of each. Outline past experience of each team member in energy savings performance contracting with Federal agencies. List which team member will perform each of the professional and skilled trades anticipated for (*insert the name of VAMC*). Provide the following information for key staff members of each team member: name, job title, responsibility on past projects, and years of experience with emphasis on performance contracting, energy auditing, and shared energy savings.
- d. Identify the key personnel and subcontractors that you plan to use at (*insert name of VAMC*). Explain the functions of both your firm and your associates or subcontractors (such as project management, technical/engineering services, geographic location, construction, and maintenance services), and the financial responsibilities of each firm. Outline how responsibilities will be performed in the absence of key personnel. Provide letters from associates and/or subcontractors of their intent to participate in the (*insert name of VAMC*) ESPC project (which clearly states their understanding and agreement that they are participating as a team member, joint venture company or as a subcontractor).

5. Financial Condition and Resources:

- a. A Financial Plan that details how the ESCO proposes to finance the (*insert name of VAMC*) contract. Describe the firm's financial capabilities and strategy for acquiring financing for (*insert name of VAMC*) energy savings performance contracting projects. The Government will evaluate the plan for risk and realism.
- b. Provide copies (of the most recent three years) of annual reports or financial statements which have been certified by a CPA for the organization. The most recent year must be dated within twelve months of the date of submittal to the

- contracting officer. Provide the name, address, and telephone number of the firm or CPA which prepared or certified the financial statement
- c. Specify the major areas of financial risk associated with construction, financing, operations, and business economics of energy conservation projects for each technology planned for (*insert name of VAMC*). In each case, specify who assumes each risk, how the risk is mitigated, and what impact an uninsured risk might have on the Government.
 - d. Review the contract document for acceptability of the terms and conditions dealing with risks (i.e., savings guarantees, ownership liens, etc.), and provide a Statement of Acceptability indicating that agreement with the terms and conditions as written or provide proposed contract provisions for Government review and evaluation. The Statement of Acceptability shall be signed by an authorized company official and returned with the Qualification and Proposal Package.
 - e. Describe any special contract provisions to minimize the risk to the Government.
 - f. Disclose whether your firm (or its predecessors, if any) has been insolvent or filed for bankruptcy within the past five years.

LIST OF POTENTIAL ECMS

(Note: Project manager/technical staff should insert additional ECMS or delete any ECMS listed, as applicable, to the potential scope of work.)

- () Interior and Exterior Lighting Replacement
- () Transformer Replacement
- () Lighting Control Improvements
- () Motor Replacement with High Efficiency Motors
- () Co-generation Facility Installation
- () Boiler Control Improvements
- () Packaged Air Conditioning Unit Replacement
- () Cooling Tower Retrofits
- () Economizer Installation
- () Occupancy Sensors
- () LED Exit Sign Installation
- () Fans and Pump Replacement or Impeller Trimming
- () Chiller Retrofits
- () HVAC DDC Control System Installation
- () Upgrade of Natural Gas-Fired Boilers with New Controls
- () Steam Trap Maintenance and Replacement
- () Insulation Installation
- () Variable Speed Drive Utilization
- () Weatherization
- () Window Replacement
- () Reflective Solar Window Tinting
- () Daylighting
- () Solar Hot Water System Installation
- () Photovoltaic System Installation
- () Replacement of Air Conditioning & Heating Units with Heat Pumps
- () Window Air Conditioning Replacement with High Efficiency Units
- () Water Conservation Devices
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Evaluation Factors for Initial Offers Without Energy Survey

Evaluation Factors	Description of Evaluation Factors	Points
<p>1. Technical Capabilities and ESPC Experience</p>	<p>The experience and expertise to complete comprehensive facility energy audits. The expertise to establish an energy baseline and savings calculation capability (meaning demonstrated ability to provide technically acceptable energy audit reports with recommended energy efficiency improvements and estimates of energy reduction as well as savings measurement and verification).</p> <p>The experience and expertise to design, install, operate, and maintain mechanical energy consuming systems e.g., HVAC, chillers, compressors, etc.</p> <p>The experience and expertise to design, install, operate, and maintain electrical energy consuming systems, e.g., lights, motors, control systems, electrical prime movers for mechanical equipment, etc. Electrical savings include energy (kWh) and demand (kw) reductions.</p> <p>The experience and expertise to design, install, operate and maintain photovoltaic, co-generation, and wind energy conversion systems, as appropriate.</p> <p>The experience and expertise to design, install, operate and maintain natural gas heating and cooling systems, as appropriate.</p> <p>The experience and expertise to train government personnel to operate and maintain ESCO installed equipment.</p> <p>The experience and ability to bring energy conservation projects on-line on schedule.</p> <p>The experience and capability to ensure that actual savings meet or exceed projected savings.</p> <p>The experience and expertise to develop multiple energy baselines for multiple technologies.</p> <p>The experience and expertise to perform monitoring, measurement, and verification of multiple energy conservation technologies.</p> <p><i>(Max. Value: 50)</i></p>	

Evaluation Factors for Initial Offers Without Energy Survey (cont.)

<p>2. Management/Maintenance Plan</p>	<p>A plan for managing operation in a manner that will best ensure the ESCO's guaranteed savings are achieved. The management plan shall include organizational flow charts, management personnel, and the relationship of the operation to the corporate headquarters. The management plan should include details of how operations and maintenance functions will be managed to ensure quality performance and maximum energy efficiencies.</p> <p>Qualifications and experience of ESCO personnel, joint venture team members' personnel, or known subcontractors with federal agency Shared Energy Savings/Energy Savings Performance Contracts.</p> <p>Qualifications and experience of contractor personnel, joint venture team members' personnel, or known contractors with federal energy projects. (Max. Value: 25)</p>	
<p>3. Financial</p>	<p>The risk and realism of the ESCO's Financial Plan should detail how the ESCO proposes to finance the operation.</p> <p>The financial stability of the ESCO as reflected in certified financial statements.</p> <p>The major areas of financial risk associated with construction, financing, operations, and business economics; the placement of those risks on either the Government or the ESCO, and how those risks are mitigated.</p> <p>The acceptance of the proposed contract provisions regarding guaranteed savings, lien, ownership, etc., and any proposed contract provisions to minimize risk to the Government.</p> <p>The financial stability of the ESCO regarding the filing of bankruptcy within the past five years. (Max. Value: 25)</p>	
<p>4. TOTAL</p>	<p><i>Total not to exceed 100</i></p>	

Section M: Evaluation Factors for Award

Evaluation Factors	Description of Evaluation Factors	Points
1. ECM(s) Description and Energy Savings	Technical feasibility, reasonableness, acceptability of proposed ECM(s); basis of energy analysis and savings; impacts on facility(s); suitability of equipment; and, potential for environmental impact. <i>(Max. Value: 25)</i>	
2. Energy Baseline and ECM Performance Measurement	Acceptability and simplicity of: proposed energy baseline and adjustment factors; methods and schedules to verify ECM energy savings and compliance with performance requirements; and, methods for annual energy audit. <i>(Max. Value: 10)</i>	
3. Past Performance	Listing of other ESPC projects that are similar in size and scope, with emphasis on those done for VA and other health care facilities. Include statements regarding the following: quality of product or service, timeliness of performance, cost control, business relations, customer satisfaction, and how conflicts were resolved. <i>(Max. Value: 25)</i>	
4. Management Approach	Adequacy of offeror's organization to manage and accomplish ECMs; qualifications of key personnel, including educational background, years of experience, awards received, unique credentials, etc.; ability to meet project schedule; quality assurance plans; demonstrated and documented skills and processes to deliver the savings; and, a customer-focused approach to handle the unanticipated. <i>(Max. Value: 10)</i>	
5. Operations, Maintenance, and Training	Ability to respond to emergency and routine calls for equipment repair; implementation plan for innovativeness in handling service needs and deferred maintenance; and, ability, flexibility and creativity in training government personnel. <i>(Max. Value: 10)</i>	
6. Price	The offeror whose price proposal offers the greatest estimated annual cost savings and cost avoidance strategies shall be ranked highest for this factor <i>(Max. Value: 20)</i>	
7. SUBTOTAL	<i>Subtotal not to exceed 100</i>	
8. Additional Best Value Considerations	The offeror may propose additional ECM(s) for consideration. <i>(Max. Value: 10)</i>	
9. TOTAL	<i>Total not to exceed 110</i>	