



Better Buildings

U.S. DEPARTMENT OF ENERGY

Planning for a Successful Energy Savings Performance Contract

Philip Quebe, Cadmus Group, Inc.

Peter Berger, Minnesota

Eloisa Portillo-Morales, El Paso, TX

Larry Falkin, Cincinnati, OH

The logo for CADMUS, featuring the word "CADMUS" in white, uppercase, sans-serif font centered within a solid blue rectangular background.

CADMUS

A large yellow arrow pointing to the right, with a white outline, positioned to the left of the main text.

**Planning For a Successful
Energy Savings
Performance Contract**
Market Research Findings



Goal

Identify key stakeholder groups and messaging to help state and local governments implement successful ESPCs



Approach - Respondents

Conducted a series of focus groups and one-on-one interviews with:

- 12 state and local governments and industry experts
- Respondents selected from various stages of ESPC implementation (considering ESPC, engaged in first ESPC, and running experienced ESPC programs)



Approach - Questions

Asked a series of 30 questions about: Motivation, Messaging, Materials, and Implementation

Sample

What initiated your interest in ESPC?

Questions

Who are your key *internal* stakeholders?

Who are your key *external* stakeholders?

Have you encountered any resistance? From whom?

What aspects of ESPC resonate with stakeholders?

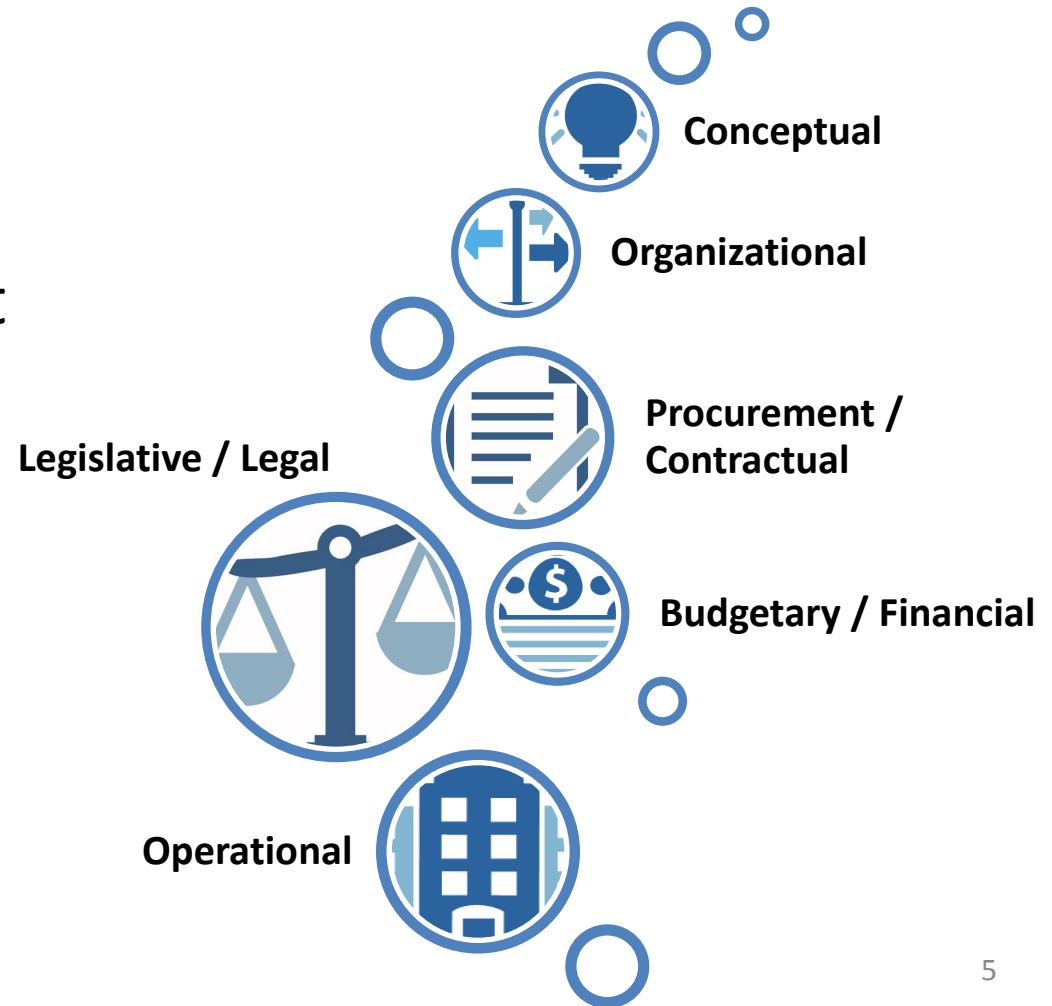
How would you describe the relationship with your ESCO?

Is there anything you would do differently?



Results

- Responses helped identify areas where ESPCs commonly get “stuck”
- These responses were later grouped into 6 focus areas





Planning For a Successful ESPC

Conceptual

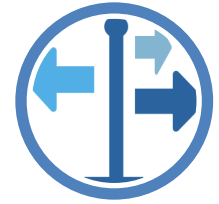


Understand how ESPC works including the nuances of contractual relationships, payback periods, energy conservation measures, and measurement and verification. Planning an ESPC will also require that you be able to **make the case for why ESPC will benefit your organization.**



Planning For a Successful ESPC

Organizational



One of the first steps to any successful project is finding right people

- **Identify a project champion**
- **Build consensus**
- **Set goals**
- **Team up**



Planning For a Successful ESPC

Legislative / Legal



Legislative bodies throughout the country have almost unanimously passed enabling legislation to allow ESPCs to be implemented in their states. Such legislative language can address issues such as multi-year payment obligations and can ensure that the energy savings are available to reimburse the ESCO. **Every state is different, however, so knowing the details of your state's legislation can make a difference.**



Planning For a Successful ESPC

Procurement / Contractual



Industry organizations and many state energy offices (SEOs) offer various vetted and tested services and tools to assist with ESPC and projects. **These resources include technical assistance**, such as feasibility studies to determine viability, as well as **pre-written contract documents** and **pre-approved ESCOs**. When planning for an ESPC, identify and obtain approval for these resources early.



Planning For a Successful ESPC

Budgetary / Financial



ESCOs can help institutions to arrange financing as part of the performance contract outside of the capital budgeting process. In some states, financing can be arranged as a lease-purchase or municipal lease agreement, which **may not count as a debt obligation or liability**. Other financing arrangements are also possible. For example, many states **prefer to implement ESPCs using funding they secure themselves**.



Planning For a Successful ESPC

Operational



Manage operational and performance risks by **addressing potential issues at the contractual phase**. Understand how changes in operating hours, loads, and weather affect ESPC performance. **Determine upfront who is responsible** for operation and maintenance of equipment and repair and replacement down the line.



Questions?



CADMUS



Philip Quebe

Senior Associate, Built Environment

Philip.quebe@cadmusgroup.com



[Facebook.com/CadmusGroup](https://www.facebook.com/CadmusGroup)



[@CadmusGroup](https://twitter.com/CadmusGroup)



[Linkedin.com/company/the-cadmus-group](https://www.linkedin.com/company/the-cadmus-group)

Planning for a Successful ESPC Project

U.S. DOE Better Buildings Summit
Washington, DC
May 9, 2014

division of
energy
resources
Minnesota Department of Commerce

Peter Berger, LEED AP BD&C
GESP Program Manager
651-539-1850
peter.berger@state.mn.us

Set the Table for Success

- **Develop ESPC Program Contracting & Procurement Documents**
- **Have Clearly Defined Project Development Process**
- **Include Key Influencers in the Project Development Process**
- **Identify Project Drivers**
- **Position ESPC as a Strategy**
- **Prepare the Site-Specific RFP**

Develop Contracting and Procurement Documents

- Vetted Master Contract with Pre-qualified ESCO's
- Open Book Pricing, Maximum Markups and Fees, GMP
- Competitive Bidding of Trade Work and Equipment with Pre-qualified Sub's and Spec's
- Savings Guarantee requires savings be met each year of the guarantee
- Measure & Verification Guidelines
- Startup & Commissioning Guidelines
- Pro Forma Guidelines
- Third-Party Review of Annual M&V Report
- State provided Technical, Financial and Contractual Assistance

Have Clearly Defined Project Development Process

Process Step	Activity	Typical Duration	Milestone
1 – Opportunity Assessment	Meetings with COMM to review GESP, B3 data, facility needs, issues, and goals	1 – 3 months	Joint Powers Agreement
2 – Define Project Goals	Energy Savings; GHG Emission Reduction; Renewable Portfolio; Building Public Disclosure; Job Creation	1 – 3 months	Issue Site-Specific RFP
3 – ESCO Selection	RFP evaluation and ESCO selection	1 – 3 months	Issue Work Order Contract
4 – Project Development	Perform Investment Grade Audit to develop project scope, cost, savings and funding	3 – 6 months	Issue Work Order Contract Amendment
5 – Project Implementation	Installation of Energy Conservation Measures	6 – 12 months	Certification of Final Completion and Acceptance
6 – Performance Period	Review Measurement & Verification Reports	5 – 25 years (on-going)	Annual M&V Report

Include Key Influencers

Who

- Energy & Sustainability
- Facility Management
- Planning & Construction
- Finance
- Procurement
- Final Decision Makers

What

- Educate on ESPC
- Position as Alternative Financing and Procurement Mechanism
- Obtain Buy-in to the Use of ESPC

Identify Key ESPC Project Drivers



Position ESPC as a Strategy to ...

Reduce

Energy Use

Operation &
Maintenance
Costs

Renew

Facility
Infrastructure

Occupant
Comfort, Health &
Safety

Achieve

GHG Emission
Reduction

Job Creation

Use of Renewable
Energy

Budget Neutral – No Bond Funds Required

Prepare for the Site-Specific RFP

- **Building Lists**
- **Utility Information**
- **Energy Consuming Systems**
- **Key Building Issues**
- **Past Efficiency Improvement Efforts**
- **Future Site/Building Plans**
- **Project Goals**

Support Contracting Process

- **Opportunity Assessment**
 - B3 Benchmarking Data
 - Needs, Issues and Goals
- **Project Development Assistance**
 - ESCO Selection Advisor
 - Contract Document Review
 - Project Implementation Oversight
- **Annual Project Performance Evaluation**