



Actions to Ensure a Successful ESPC Project

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ESPC is not complicated ...

- Recognize however;
 - Project development time ranges from approximately 6 to 14 months
 - Involves many interests
 - Involves many decisions
 - Competes with other daily activities
 - Can be intimidating to the uninitiated



Overview for Success ...

- Proper communication
- Separate into manageable pieces
- Timely agreement upon work scope
- Plan for price evaluations
- Require finance competition
- Move fast
- Rely on Project Facilitation
- Plan for maintenance of long term records





Action 1 – Communication

- Agency expectations met only when needs & goals are addressed
- ESCOs are energy experts but they are not mind readers
- Communication starts on Day 1
- Not contracting as usual
- Not just limited to ESCO/Agency dialogue





Communication (cont)

- Items to address (early in development)
 - Size of hunting grounds
 - Problem areas (i.e. high maintenance)
 - Allowable term
 - Technology areas
 - Treatment of O&M savings
 - Energy rates & escalation
 - Approach to M&V

Action 2 – Break into Manageable Pieces

- ESPC project development as a whole can sometimes be intimidating
- Approach it in standard engineering fashion; identify the steps or key areas and address them individually



Manageable Pieces (cont)

- Key areas of focus:
 - Identification of work scope
 - Development of project baseline
 - Energy & O&M savings determination
 - Measurement and Verification
 - Performance period services
 - Pricing and finance

Action 3 – Work Scope Agreement

- Proposal development is a costly exercise for the ESCO
- Following DES, suggest an on-board meeting to discuss findings and finalize work scope
- Scope oftentimes varies from initial study; that's OK



Work Scope Agreement (cont)

- Consensus agreement on scope prior to final proposal development will prevent ESCO from incurring unnecessary development time on measures that may not be of interest
- Minimizes surprises and helps to ensure expectations are met



Action 4 – Strategic Planning for Price Evaluations

- Agency price reasonableness evaluations are a reality
- Evaluations are to be performed in accordance with FAR 15.404
- With a variety of options available, decide early (i.e. during proposal development) upon strategy for evaluating price reasonableness



Price Evaluations (cont)

- Upfront planning ensures that required ESCO actions and resulting information/data is included in submission of the final proposal
- Reduces additional project development time





Action 5 – Finance Competition

- Always require ESCO to compete finance component in the commercial marketplace
- In fact, finance competition is a required element of the DOE Super ESPC
- Why?
 - Competition is a good thing
 - Lower rates translates into term reduction and interest savings to Government



Finance Competition (cont)

- Since DOE started requiring finance competition, added premiums have been reduced by approximately 125 BP
- As a result of finance competition, agency costs for an ESPC have been reduced by approximately 16%





Action 6 – Move Fast

- Time is a project's worst enemy
- Lack of timely reviews & decisions can translate into higher costs, longer terms or even project death
- Always remember that interest rates change on a daily basis





Move Fast (cont)

- Regarding time ... another pitfall;
 - Key decision makers may be replaced
 - Additional time required to re-educate
 - Goals and direction may be different





Action 7 – Project Facilitation

- Rely on Project Facilitators to assist in your project development
 - Facilitators are experienced ESPC professionals
 - Provide project guidance and technical support to agency
 - Help level the “playing field”
 - Brings experience to agency “team”





Action 8 – Long Term Documentation

- Personnel changes for both the ESCO and agency are a reality
- What happens when corporate knowledge and records vanish??
- Determine best approach to maintain records, including;
 - Archived data
 - Data needed on an annual basis for contract management

Long Term Documentation (cont)

- DOE has developed a template to assist in the annual maintenance of an ESPC
 - Performance Period Administration document
 - Contains key pieces of contract information
 - Intended to be a “living” document; annual M&V reports added each year
 - Passes from one agency CO to another



Summary

- Always remember ... ESPC is not contracting as usual
- Proper communication helps to meet expectations and ultimately saves time & reduces development costs
- Easier to develop project when addressed in smaller, more manageable pieces



Summary (cont)

- Consensus agreement on work scope helps meet agency expectations, saves time and reduces development costs
- Strategic planning for price evaluations helps everyone; saves time and reduces project development costs
- Finance competition has been a success and saves huge \$\$\$





Summary (cont)

- Moving fast (i.e. timely reviews & decisions) can make the difference between having a project or not
- Having someone on your team who has been there, done that is invaluable
- Proper long-term documentation reduces the potential for disputes and finger pointing





Questions???





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