



Reviewing ESPC/UESC Price Proposals

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Elements of a UESC Proposal

- Value Added Options
- Project Schedule
- Subcontract Prices
- Contract Related Costs
- Energy Savings & Payback
- Third Party Finance Proposal



Random Thoughts

- Now and then I will insert a Random Thought. The intent is to add a dash of humor and a dash of truth.
- Random Thought:
 - ENERGY POLICY ACT provides clear direction by half-baking a texture of fine print, red tape, split hairs, misdirection and baloney -- and the Just In Time guidance will be here just in time for the next Act.



Value Added Options

- Utility proposed options can often add value to an energy project.
- The Utility or subcontractors often find options overlooked by the Government.
- Assure the value added option fits into the big picture.
- Assure option meets UESC criteria.



Project Schedule

- Many elements of the price proposal are driven by time.
- Shortening the Contract Schedule may significantly reduce the price.
- Impact of Long Lead Time Material on the Construction Schedule
- Re-payment of financed portion collects interest during construction.





Project Schedule

- **Tools**

- Bar Chart, MS Project Schedule, Critical Path Analysis,

- **Random Thoughts:**

- CRITICAL PATH METHOD is management technique for missing schedules under perfect control.
- LEAN SIGMA 6 is a new management concept where everyone is in control of nothing, so that when nothing is done the boss can blame everyone



Subcontract Prices

- **52.244-5 Competition in Subcontracting**
 - The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives requirements of the contract.
- **Price Reasonableness based on competition**
- **Always ask for and review abstract of bids**



Subcontract Prices

- **Tools**
 - Abstract of Bids, Historical Costs, Engineering Support, Utility Expertise

- **Random Thoughts:**
 - LOW BIDDER is the subcontractor who is wondering what he left out of his bid.



Contract Related Costs

- Drawing Reproduction
- Equipment (Office Trailer, Crane, Etc.)
- Transportation
- Design Support
- Commissioning
- Measurement & Verification



Contract Related Costs

- Project Manager
- Quality Control
- Field Technician
- Project Coordinator
- Clerical Support
- Subcontract Procurement Support



Contract Related Costs

- Forward Pricing Rate Structure
 - Labor Rates
 - Overhead
 - G&A
- Profit
 - Weighted Guidelines
 - Rate of Return



Contract Related Costs

- **Tools**

- Government Estimates, Engineering Review, Historical Costs, DCAA, Forward Pricing Rates

- **Random Thoughts:**

- GOVERNMENT ESTIMATE is the cost of accomplishing energy projects in heaven.
 - OR it just may be a wild ass guess carried out to two decimal points.



Energy Savings/Payback

- 10 UESC 2911 changed the 10 year payback requirement to “demonstrate an economic return on the investment”
- Review, analyze and reach an agreement on savings associated with each measure
- Assure energy savings will be realized over the life-cycle of the equipment or system being repaired



Energy Savings/Payback

- **Tools**

- Government Estimate, Engineering Review, Life Cycle Cost Analysis, Vendor Specifications, Rebates & Incentives

- **Random Thoughts:**

- PROJECTED ENERGY SAVINGS is what you had before they added another shift, installed new servers, by passed all of the controls and failed to do maintenance.



Third Party Financing

- Lender's Experience
- Appropriate Treasury Rate
- Spread & Hedge (Adder)
- Payments equal to or less than savings
- Interim Rent Period
- Payment Term
- Monthly, Quarterly & Yearly Payments



Third Party Financing

- Tools
 - Wall Street Journal, DCAA, Utility Company, FEMP NREL Team, Other Agencies
- Random Thoughts:
 - How Many Contract Specialists does it take to change a light Bulb?
 - CHANGE? What do you mean CHANGE?



Would you like to know more about this session?

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