



How to Procure Energy Projects Utilizing UESCs

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Project Financing Resources

- Why we need them: Allows for needed infrastructure improvements without increasingly scarce direct appropriations.
- Financing resources:
 - Utility Energy Service Contracts (UESC)
 - Energy Savings Performance Contracts (ESPC)
- "Choosing a Financing Vehicle for Energy-Efficiency Projects for Federal Sites"

http://www1.eere.energy.gov/femp/docs/choosing_financing_nov00.doc

Utility Energy Service Contracts (UESCs) are:



Definition: Specific contracts that allow utilities to provide agencies with comprehensive energy and water efficiency improvements and demand reduction services.

Utilities front the capital costs, assess the opportunities, design and implement the ECMs and are paid out of savings.





UESCs Are
Legal!!



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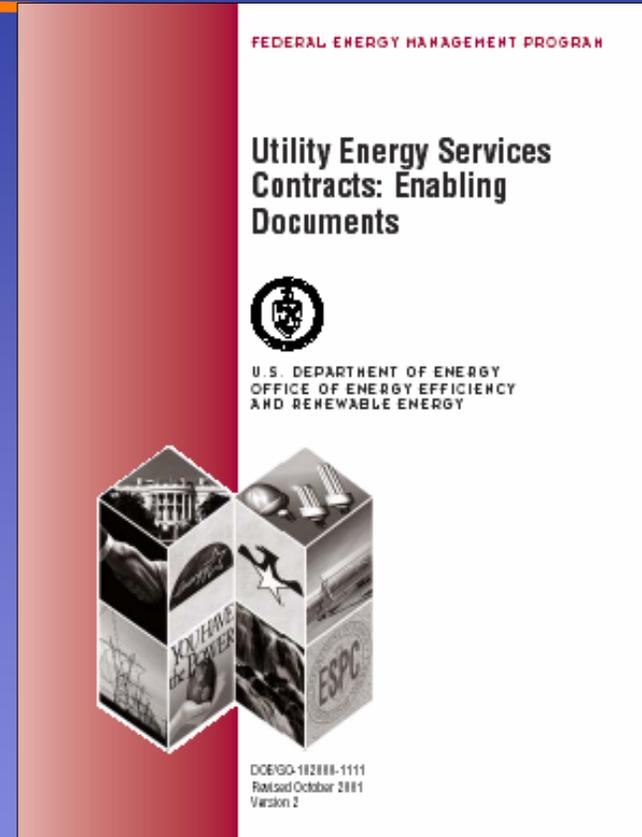


FEMP's UESC Enabling Documents



Details:

- Legislation and Executive actions
- Legal opinions
- Agency guidance



www.eere.energy.gov/femp/pdfs/28792.pdf

Here's the Law!



Section 152(f) - Utility Incentive Programs

Agencies:

- Are authorized and encouraged to participate in utility programs generally available to customers

(Codified as 42 USC 8256, P.L. 102-486)

DoD Needs Authority, Too



National Defense Authorization Act for 2007 10 USC 2911-2918

2911. Energy performance goals & plan for DoD

2913. Energy savings contracts & activities

10 USC 2865 is no more...



10 USC 2911 (d) *means...*

- Energy conservation measures selected on basis of life-cycle cost:
- No 10-year payback requirement!

10 USC 2913 means...



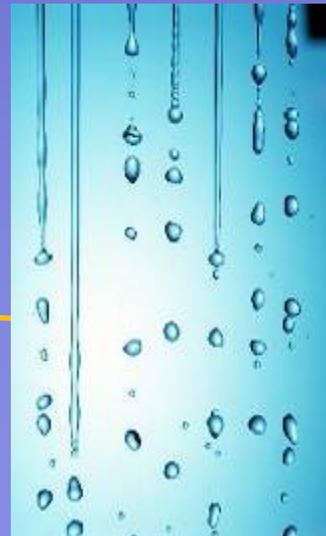
- DoD is encouraged to participate in gas or electric utility programs for the management of energy demand or for energy conservation
- DoD can accept financial incentives, goods and services generally available from the utility

What About Water??



Amendment to Section 10 USC 2866: Water Conservation Authority

- One-half of the savings shall be used for water conservation activities as designated by DoD;
- One-half of the savings to be used at the installation at which the savings were realized



Legal Opinions

- GSA - Authority for Extended Utility Agreements
- DOE - Relationship of the Anti-Deficiency to Multi-Year Contracts Under the Utility Incentive Program...

Legal Opinions

- GSA - Exception From The Competition-In-Contracting Act's Full and Open Competition

This language appears to provide express authority for an agency to directly approach a utility concerning DSM services,... without the use of full and open competition

Agency Guidance



Alternative Financing Guidance Memoranda:

- AFGM 1 - Sole Source Justification
- AFGM 4 - Federal Fund Sources to be Used to Pay for Multi-Year Contracts Under the Utility Incentive Program

Utilities Know Advanced Meters...

- Many utilities offer metering services under PUC-approved tariffs and may be able to provide metering equipment and services via UESCs
- Agencies are encouraged to consult with their utility during the development of their metering plans

...And a Word from the President...



Executive Order 13423 is counting on Project Financing:

- Identifies ESPCs and UESCs as sources of funding to optimize project scope and reductions in energy use and cost of facility operations
- Directs agencies to accelerate completion of large projects that incorporate long-and short-term payback periods, through life-cycle cost-effective contracts

Keeping Score - Striving for *Green!*



- Office of Management & Budget Energy Scorecard:
 - Energy Intensity
 - Renewable Energy
 - Petroleum Reduction
 - Energy Efficient Products
 - Building Performance

Not **RED**, Not **Yellow**, But *Green!!!*



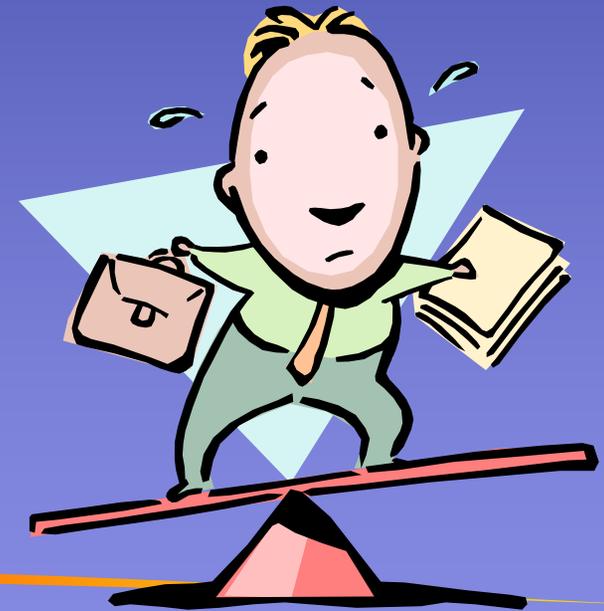
Reasons to Choose UESCs

- You work with a known entity
- Your utility has unique expertise and a knowledge of your facility
- It's an established source
- Flexibility in scope and size, smaller projects feasible
- It's a partnership that is mutually beneficial!

However, Consider This...

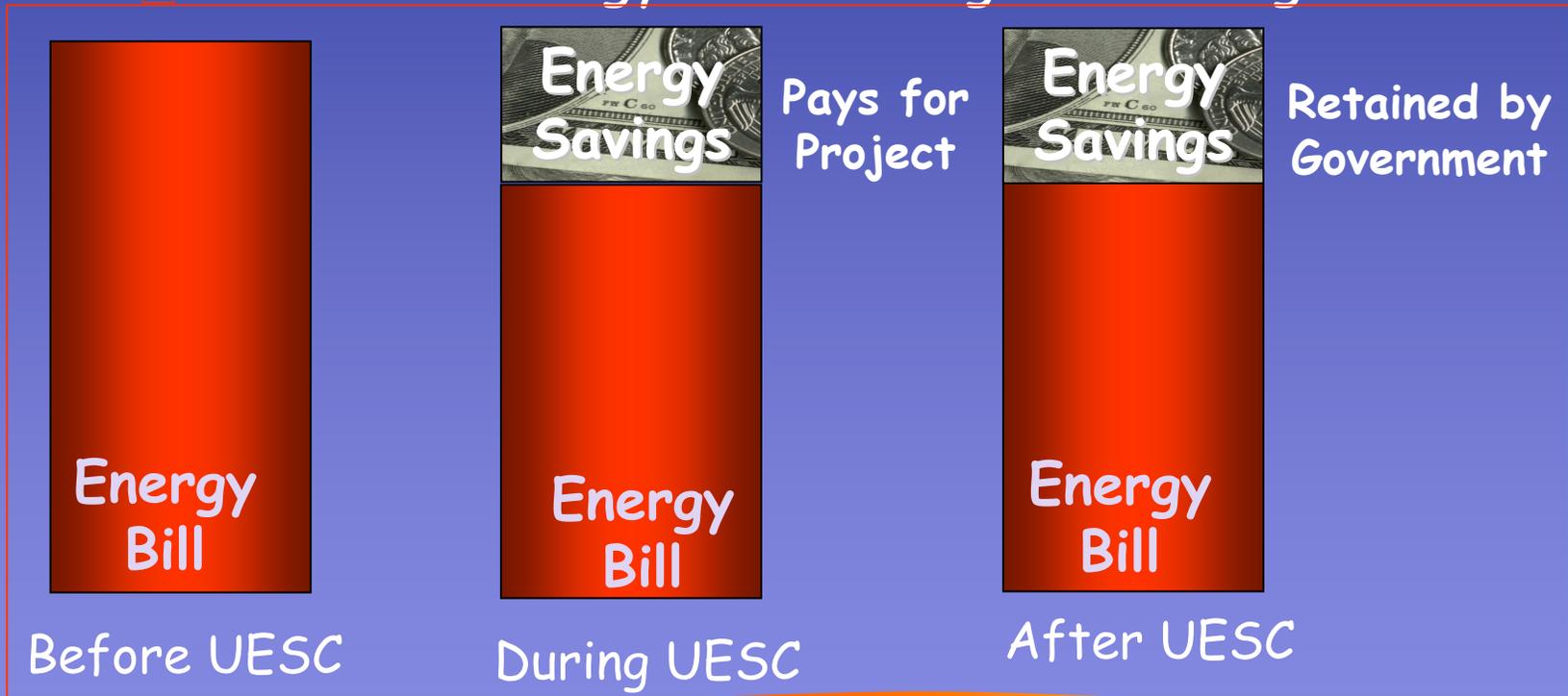


- UESCs may not be available to all facilities
- Utility may be new to this type of contracting
- Contract process is not rigid
- Agency's relationship with utility
- Contract term



UESCs Reallocate the Government's Utility Budget

- Decrease energy costs
- Pay for project
- Achieve energy cost savings for the government



Payments/Terms...

- ECM savings should be greater than payments over the lifetime of the project
- Payment term for authorizations are not to exceed 80% of the useful life of the ECM

You Don't Have To Go It Alone

- ❖ OMB encourages all agencies to utilize experienced *Project Facilitators* on their projects.
- ❖ Reduce financing costs
- ❖ Streamline administration of follow-up services (M&V, O&M, R&R) during the performance period to ensure savings persistence.



FEMP Direct Project Assistance



- UESC technical & procurement assistance to agencies and utilities
- Advise & Consult - no Interagency Agreement needed
- In-depth Support - Interagency Agreement
- Customized FEMP services package available

The UESC Process



Determine
the
Appropriate
Vehicle

Assemble
Your
Acquisition
Team

The
Utility
Audit

Establish
Terms &
Conditions

Planning

Identification

The
Feasibility
Study

Engineering
& Design
Package

Construction
&
Installation

The
Payment
Period

Implementation

What's In It For Me?

Technical Services

Audits

Feasibility Studies

Engineering & Design

Construction & Installation

Performance Guarantees

Training

O&M Services

Project Management

Financial Services

Rebates

Project Financing

Any Freebies?



- Rebates/Incentives
- Rate analysis and load management assistance
- Technical assistance and/or design review
- Commissioning
- Electronic data transfer
- Metering Peak shaving
- Real time pricing
- Interruptible programs
- Renewable energy
- Power quality and reliability assistance
- Web access to utility account data

Get the Best Deal!



- Bundle Projects (\$5M+ get a break)
- Keep the Financing Term Under 15 Yrs
- Insure the Government Contract has Desirable Termination and Non-Appropriation Language
- Do not try to re-create the wheel contractually

Get the Best Deal!

- Fix Interest Rates at Time of Award
- Provide Limited or No Energy Savings Guarantees
- Work Only with Companies with the Very Highest Credit Ratings
- Install “Proven” Technologies
- Don't Include Other Financing Fees in Rate

Planning Your UESC

Determine Appropriate UESC Vehicle

- AWC
- Site Specific Contract
- Master Agreement
- BOA

Choose UESC vehicle

Assemble your Acquisition Team

- Team players
- Team issues
- Develop strategy
- Enlist support

Initiate Project Identification



Determine Appropriate UESC Vehicle

- AWC
 - Site Specific Contract
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- Choose UESC vehicle



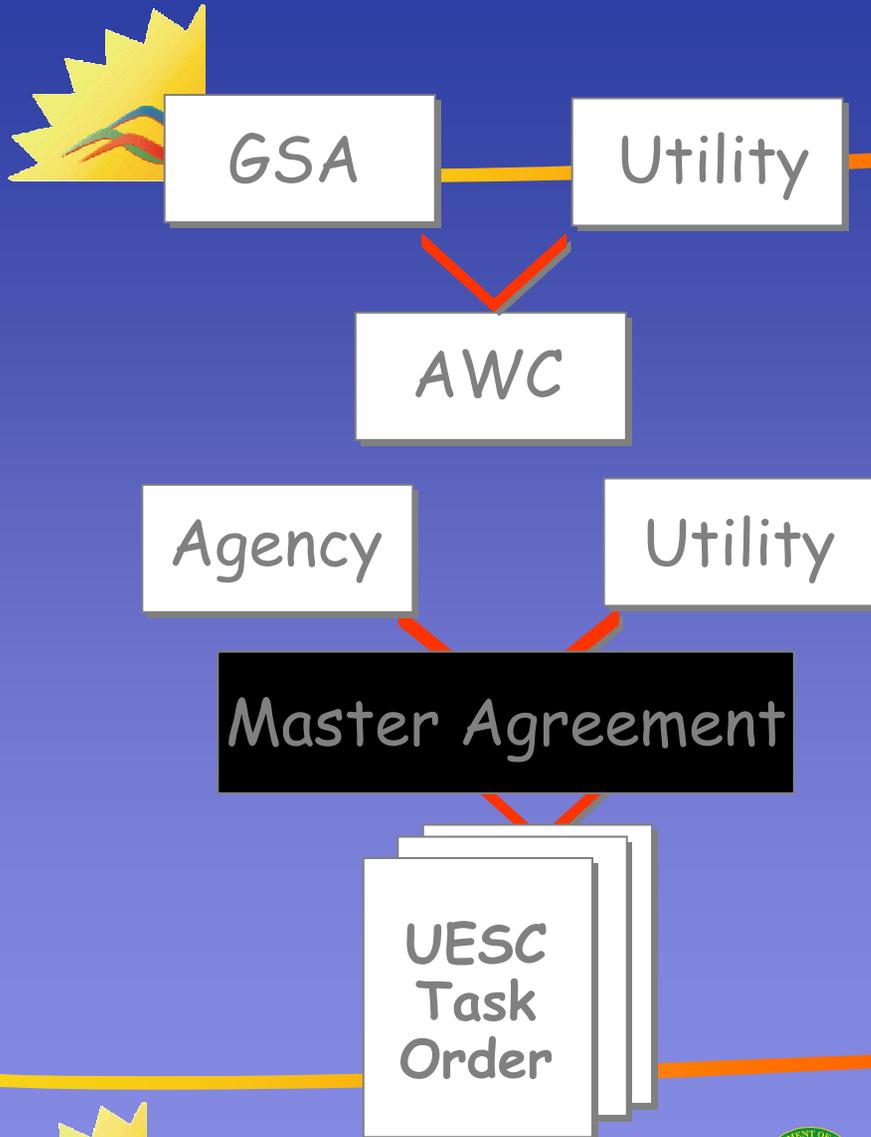
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UESC Vehicles



- Areawide Contract (AWC)
- Site Specific Contract (Model Agreement)
- Basic Ordering Agreement (BOA)

Areawide Contract



GSA places a blanket contract for utility services (FAR Part 41)

Agency can place a UESC Task Order directly under the AWC

or

Utility and Agency can negotiate Master Agreement with terms and conditions

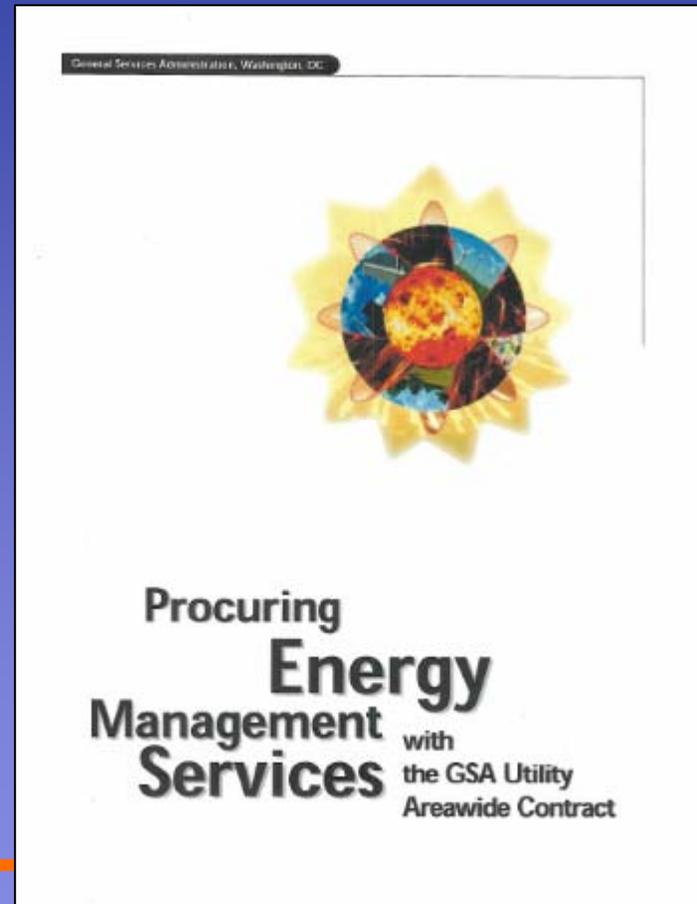
GSA ECM Criteria

1. Measure must produce measurable energy or water reductions or measurable amounts of demand reduction;
2. Measure must be directly related to use of energy or water, or demand reduction;
3. Preponderance of work must be for 1. or 2. above; and,
4. The measure must be an improvement to real property

Procuring Energy Management Services with the...

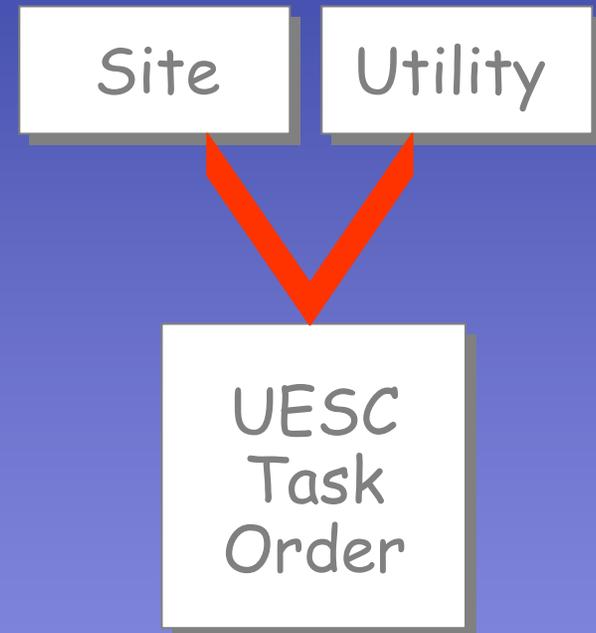


GSA Utility Areawide Guide



Site Specific Contract

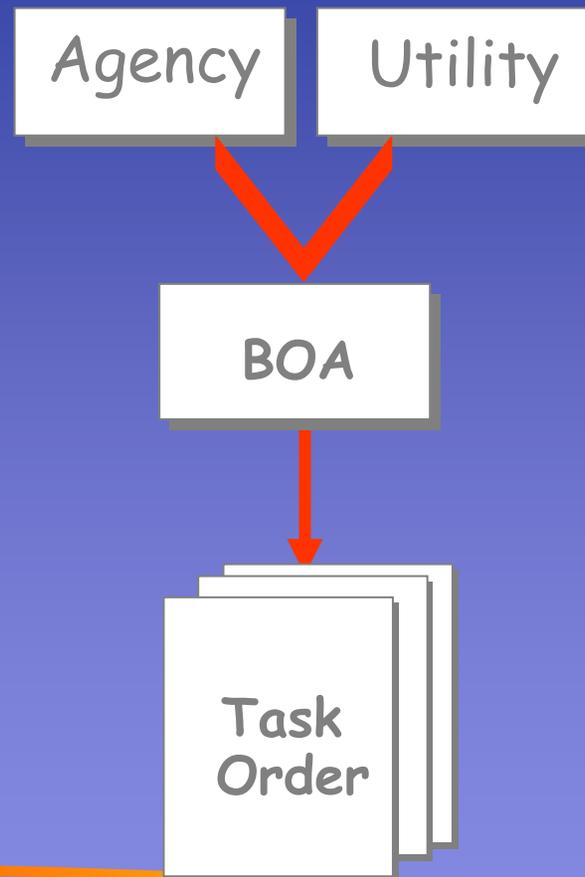
- Any agency can place (FAR Part 41)
- Includes all site specific terms and conditions
- Always an available option in absence of AWC or deemed to be to Government's advantage



UESC using Basic Ordering Agreement



- Any agency can place with a utility (FAR Part 16_
- Establishes terms & conditions for future contracts (*not a contract*)
- Umbrella to issue sole source contract - J&A required
- Task orders placed underneath BOA





Assemble Your Acquisition Team

- Team players
- Team issues
- Develop strategy
- Enlist support

Initiate Project
Identification



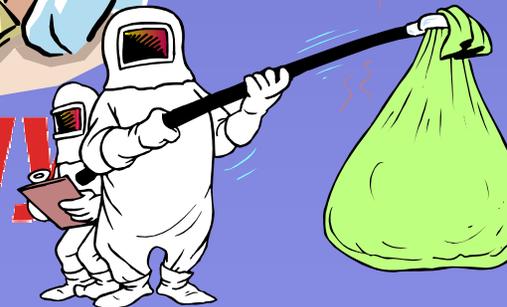
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Acquisition Team Issues



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Get the Money in Place...



Budget and Financial Issues:

- Be clear that the utility budget will stay the same as it otherwise would have been and project payments come from savings
- Address the potential need to redirect funds from utility, tenant, and O&M accounts to the utility account in order to pay the bill



Personnel Issues

- Your acquisition plan should take into consideration:
 - Existing maintenance staff and/or contracted operations and maintenance personnel
 - Technical personnel
 - Staff training

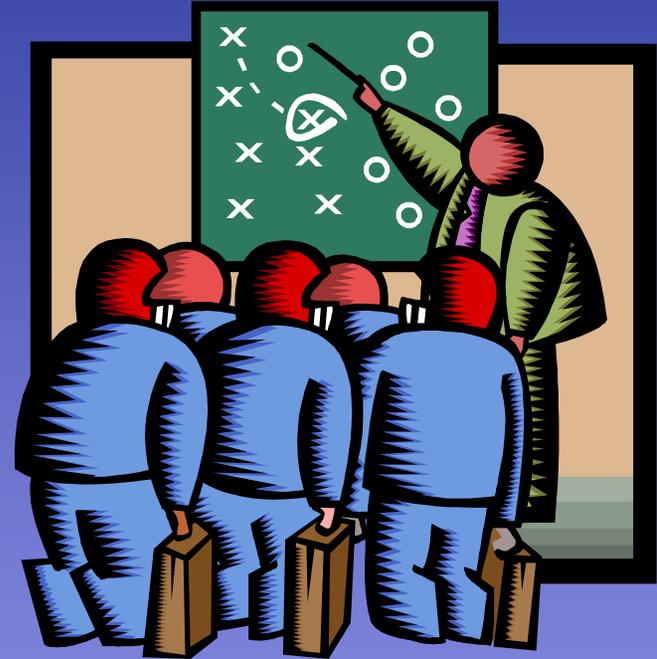


Potential Conflicts and Unique Issues

- Consider conflicts involving known and potential mission or facility usage changes
- Address unique facility issues like restricted access, special requirements (labs, libraries) or tenant's operations



Your Acquisition Strategy & Project Considerations



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Tell Them What You Really, Really Want...

- Identify Your Project Goal
- Are you trying to:
 - Solve existing problems?
 - Make infrastructure improvements?
 - Reduce utility costs?
 - Make capital improvements?
 - Improve O&M?
 - Save energy?



Consider the Parameters



Site + Technologies + Contract Term



Required
ECMs

Potential
ECMs

October						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Set Your Priorities

Prioritize Facility Requirements:

- Specific facility needs
- Facility conditions
- Constraining issues
 - Facility configuration requirements
 - Back up system requirements
 - Limited in-house resources
 - Union considerations
 - Work environment
 - Other support contracts



Performance Assurance



- UESCs do not require guaranteed savings, however, we recommend the following:
- Develop a Performance Monitoring Plan
 - Identify a means of measuring and/or calculating the energy being consumed and verifying the "savings" or avoided costs
- Resources:
 - FEMP M&V Guidelines: Measurement and Verification for Federal Energy Projects (v 2.2)
 - Performance Assurance for Multi-Year Contracts document on developing a performance monitoring plan for UESCs

Make it Comprehensive

- Include all the opportunities available through UESC
 - energy efficiency, water efficiency, alternative electric and/or gas supply, on-site power generation/CHP, renewables and renewable power purchases
- Incorporate a synergistic and interactive approach to the measures



Electric Utilities Can Spell G.A.S.



...and vice versa..

Utilities evaluate energy measures based on the best fit and value for the project regardless of fuel source.

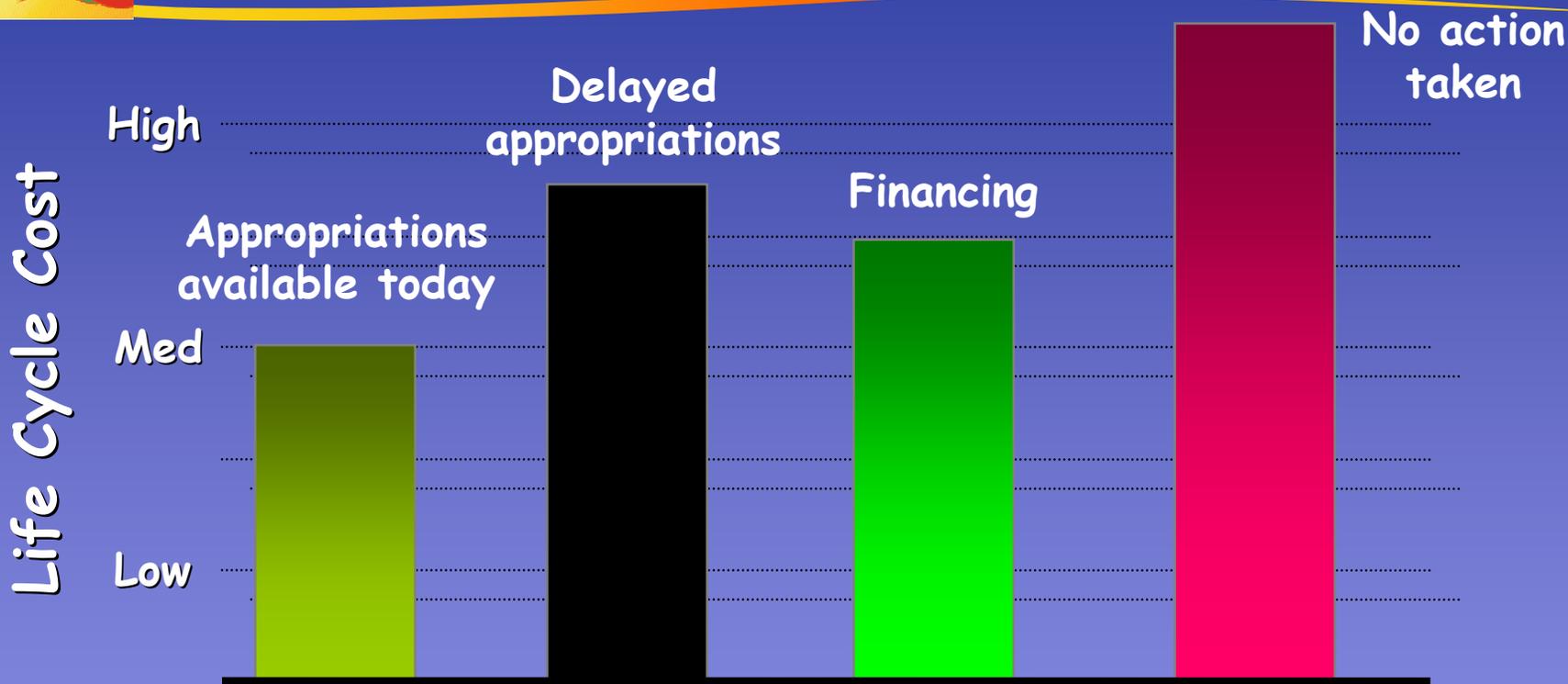


Gain Support & Momentum for the Project

- Start early – include everyone
- Prepare a briefing and include:
 - Benefits to the site
 - Summary of the financing process
- Be prepared to overcome resistance to change



The Cost of Delaying a Project



Any delay in project implementation results in loss of life cycle savings



Available UESC Resources

- Use GSA and FEMP for advice and support, briefings to project teams and management
- Find background information on web sites:
 - www.eere.energy.gov/femp/utility.html
 - <http://gsa/pbs/xu/>
- Request UESC video from FEMP that showcases this process

FEMP's Federal Financing Specialists



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Let's Compare Options

	ESPC	Super ESPC	Utility Contracts
Authorization	EPAct 42 USC 8287 10 CFR 436	EPAct 42 USC 8287 10 CFR 436	EPAct 42 USC 8256 10 USC 2911-18 48 CFR 41 & 46
Competition	CICA; CBD	Pre-selection process	Sole source to utility;
Contracting Party	ESCO	ESCO	Utility
Performance Guarantee	Required	Required	Negotiable
Maximum Term	25 Years	25 Years	10 Years
Payments	Invoice	Invoice	Utility Bill

Let's Compare Options



	ESPC	Super ESPC	Utility Contracts
Qualified Contractor List	Required	Pre-selected contractors	Not required
Measurement & Verification	Yes	Yes	Negotiable
Operation & Maintenance	Option	Option	Negotiable
Contract Coordination	Agency	Agency through Lead Agency	Agency
Contractor Relationship	Typically new	Typically new	Typically established
Resource Requirements	Intense	Selection process reduced	Selection process reduced



For More Information

- Would you like to know more about this session?

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Don't forget to fill out and drop off your session evaluations!



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New Orleans
August 5-8