

Charting a Course to Energy Independence

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The New IDIQs and What Has Changed

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ESPC Basics

- Using the new IDIQs
- Latest legislation and its effect
- From ESPC to DOE's "Super ESPC"
- Changes in the five phases of a Super ESPC project
- Primary roles in Super ESPC



Key points about federal ESPCs

- Savings guarantees are mandatory
- Savings must exceed payments in each year
- Measurement and verification (M&V) is mandatory
- Contract term cannot exceed 25 years





EISA (2007) – ESPC highlights

- Agencies shall not limit contract term to less than 25 years (Section 513)
- Sites may sell excess energy generated on site from renewable sources or cogeneration to utilities or non-federal energy users (Section 515)
- DOE – Sites may use any combination of appropriated funds and private financing (Section 512)
- DOD – Appropriated funds not allowed to be combined with private financing



EPACT-'05 and EO 13423 ('07) Goals

- Reduce energy intensity by 3% per year, 2006 – 2015 (from FY 2003 baseline)
- Increase use of renewable energy to
 - not less than 5% of electricity use, 2010 - 2012
 - not less than 7.5% from 2013 on
 - at least half from new (1999 or later) sources
 - double credit for on-site generation
- Reduce water use by 2% per year, 2008 – 2015 (from FY 2007 baseline)



Key features of Super ESPC

- DOE - Any federally owned facility worldwide eligible
 - no leased facilities
 - no state or municipally owned facilities
- DOD – Contract is limited to CONUS
- DOE - Allows for revision, within scope, of IDIQ terms by agency in task orders
- Standardized general terms and conditions
- Allows agencies to skip time-consuming full competition and award a task order sooner



Scope of New Super ESPC IDIQs

- DOE - New Super ESPC IDIQs have world-wide scope
- DOE - All awarded Super ESCOs are eligible to implement all technologies



Contract Scope — Technologies

- Must save money from energy or water bills, or energy-related O&M
 - Demand (kW) -only measures (e.g., thermal storage) acceptable and encouraged
- Last category (of 20) is “Future ECMs”



DOD/DOE New Contract

- Both Contracts have 16 ESCOs
- 12 ESCOs are common between both contracts
- DOD contract has two small business ESCOs



DOD - New ESPC Contract

- 16 Contractors, 14 Unrestricted, 2 Small Business

- AECOM
- Ameresco
- Benham
- Burns MacDonald
- Chevron
- CLT
- Consolidated Edison
- Constellation Energy
- FPL
- Honeywell
- JCI
- Noresco
- Pepco
- SEI Group
- Siemens
- Trane



DOE - New Super ESPC Contract

- 16 Contractors

- Ameresco
- Benham
- Chevron
- Clark Realty Builders
- Consolidated Edison
- Constellation Energy
- FPL
- Honeywell
- JCI
- Lockheed Martin
- McKinstry Essention
- Noresco
- Pepco
- Siemens
- TAC Energy Solutions
- Trane



DOD – New Contract Changes

- Area
 - Old – 4 state/46 state
 - New – 50 State
- TO Schedules
 - Old – Not Required
 - New – Required
- Section 803/843 of Public Law 107-107 now required for selection of ESCO's
- Does not allow appropriated funds with third-party funds
- Can use ancillary savings with third-party funds



DOD – New Contract Changes

- FEMP M&V requirement is now spelled out in contract
- Actual costs vs contract escalated savings required in M&V report
- Project facilitator required on all ESPC projects
- New contract encourages the use of renewable energy incentives/credits
- New contract requires three quotes from financial institutions



DOD – New Contract Changes

- Life-cycle-cost analysis required
- Emulate DOE contract as much as possible
- Follow FEMP formats and guidance



Development of Super ESPC Task Order (TO)

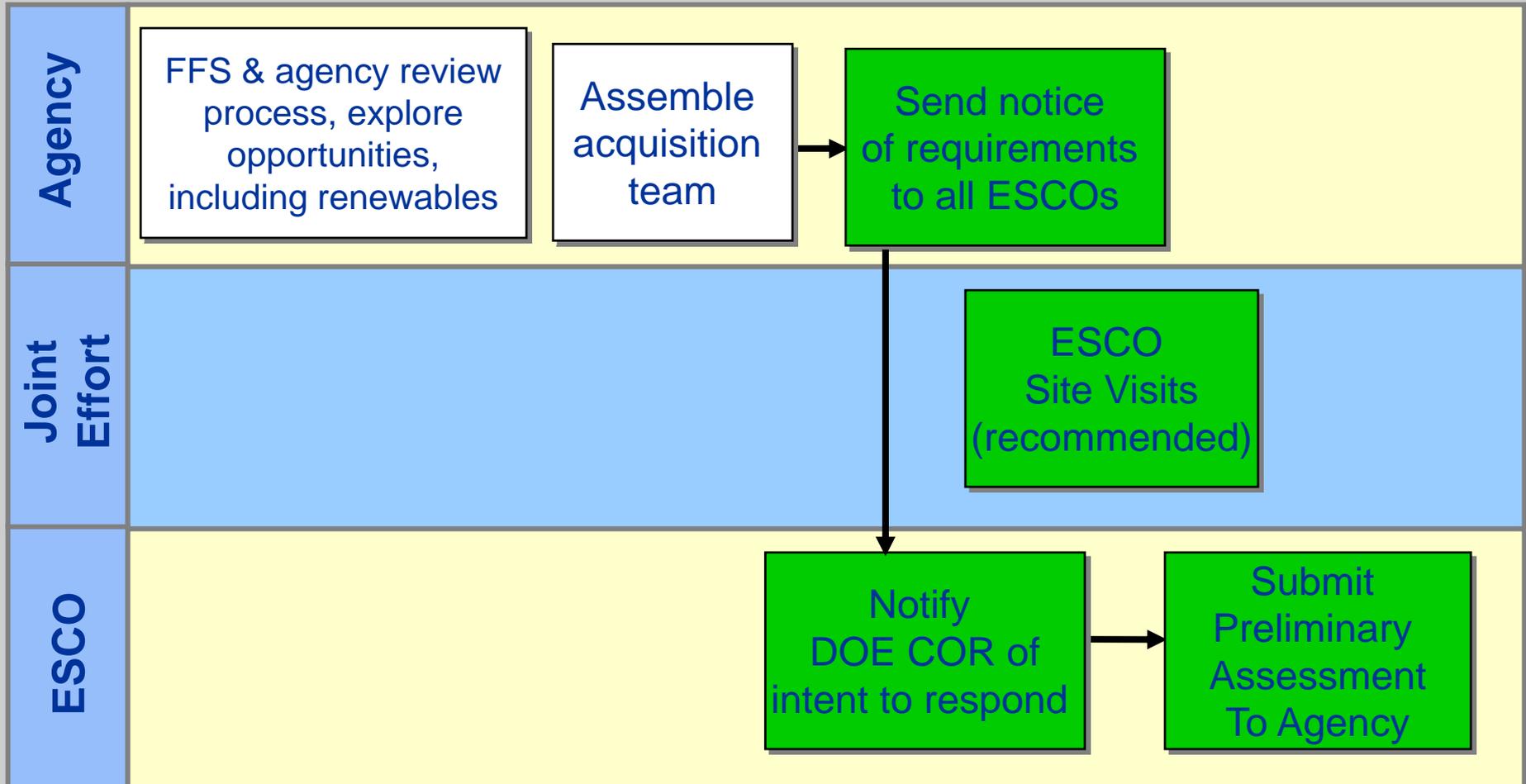
- Phase 1: Project Planning
- Phase 2: ESCO Selection
- Phase 3: Negotiation and Award of TO
- Phase 4: Design, Construction, and Acceptance
- Phase 5: Performance Period



Phase 1: Project Planning



Phase 1: Project Planning, Gov't.-Initiated





Word changes and what do they mean?

- Contractor Identified (old)
vs.
Contractor Initiated (new)
- Government Identified (old)
vs.
Government Initiated (new)



Contractor Identified vs Contractor Initiated

- Contractor Identified (old) – Process required the ESCO to identify the need for an ESPC project and offer to do a walk-through and provide an Initial Proposal
- Contractor Initiated (new) – Requires ESCO to provide an Preliminary Assessment for evaluation and consideration by the site – may lead to a notice to other 15 ESCOs and process under Government- Initiated



Government Identified/Government Initiated

- Government Identified (old) – Required Government to identify the project through a solicitation – project was identified through a Site Data Package provided to all ESCOs (short list was acceptable but no changes allowable)
- Government Initiated (new) – Requires that all 16 ESCOs be notified of the site's desire to initiate a project with an outline of goals and intent. Streamlined evaluation process to selection.



ESCOs' Preliminary Site Visit(s)

- Walk-through of facility to gather data for the Preliminary Assessment
- Optional but desirable
- Agency provides site access and escort (if applicable)

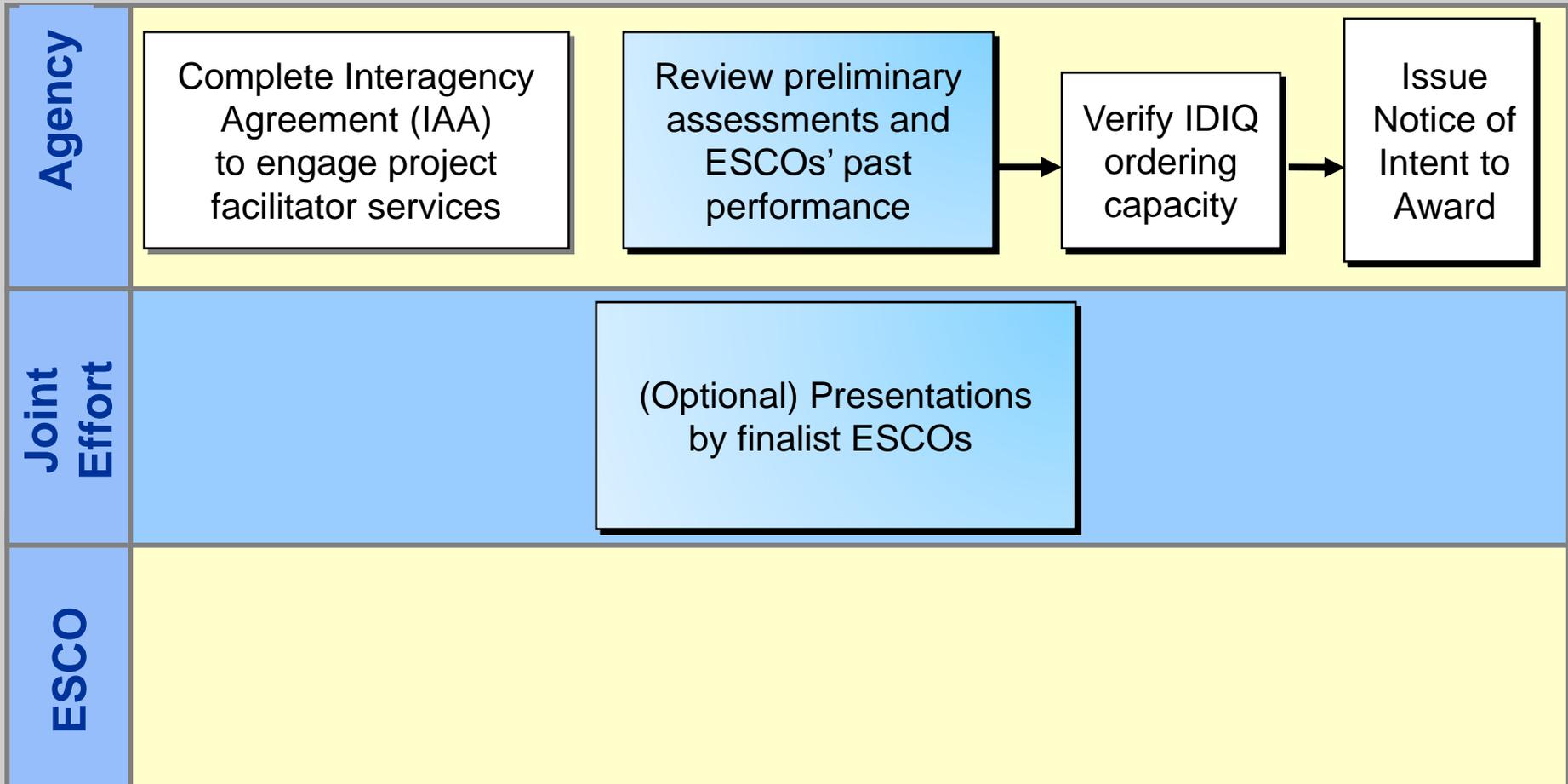


Phase 2: Preliminary Assessment and ESCO Selection





Phase 2: Moving forward





DOE - ESCO Selection: (Major change) Contractor-Initiated Method

- ESCO alerts agency of desire to submit proposal
- Agency must notify other Super ESCOs and identify requirements
 - Requirements: desired ECMs, buildings, etc.
- Other ESCOs can then submit PAs
- Agency, using “fair consideration,” issues statement selecting one based on best value
 - Post-selection debriefing; protests allowed if > \$10M



DOD - ESCO Selection Contractor-Initiated Method

- ESCO alerts agency of desire to submit proposal
- If project's estimated value < \$5M, agency must compete with DOD small business (two ESCOs)
 - If small business cannot execute, the project is opened up to large business ESCOs
 - Agency may host site visits for interested ESCOs
- Agency, using "fair opportunity," issues statement selecting one based on best value
 - Here (not at award) is where protest could occur



DOE - ESCO Selection: (Major change) Government-Initiated Option

- Agency sends notice to all 16 ESCOs with requirements and selection criteria
 - Requirements, e.g., buildings, ECMs to include
 - Selection criteria, e.g., price (required) technical approach, past performance
 - Agency may host site visits for interested ESCOs
- One or more ESCOs submit PAs
- Agency, using “fair consideration,” issues statement selecting one based on best value
 - Here (not at award) is where protest could occur



DOD - ESCO Selection Government-Initiated Option

- Agency sends notice to all 16 ESCOs with requirements and selection criteria
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Preliminary Assessment vs Initial Proposal

Are they different?



DOE - Initial Proposal

- Generated by ESCO after initial kickoff meeting – walk-through assessment
- Reviewed by Agency – “Go” / “No Go” decision (with some changes identified in RFP)
- Signified ESCO Selection with “Go” decision



DOD – Site Survey

- Generated by ESCO after Initial Kickoff meeting – walk-through assessment
- Reviewed by Agency – Approval of ESMs given
- Notice to Proceed given on approved ESMs



Preliminary Assessment

- Contractor Initiated
 - Preliminary Assessment submitted and evaluated by site
- Government Initiated
 - Notice to all with outline and goals
 - Preliminary Assessment submitted by all (contract provides for a limit of 20 pages) and evaluated by site



DOE — The Preliminary Assessment

- Notice provides enough data for ESCOs to make assumptions on type of ECMs that could provide a workable/desirable project
- Evaluation criteria — comparing apples to apples
- Must comply with IDIQ contract requirements (see section H.4) and give sufficient information for a decision



Is it enough to make a decision? Look familiar?

- Key elements (all this on 20 pages)
 - Narrative summary of proposed project
 - Description of ECMs
 - Estimates of proposed energy and cost savings
 - M&V approach (general)
 - Risk/responsibility matrix
 - DOE - Financial schedules



Evaluating Criteria – Which is most important to you?

- Technical — Review ESCOs' qualification statements
 - www1.eere.energy.gov/femp/financing/superespcs_espcescos.html
- Past Performance — Request data on ESCOs' past performance
 - DOE - Available from Golden, CO Field Office
- DOE - Price — Look at the financial schedules – summarizes price proposal
- DOD — Evaluated on technical approach, management approach and past performance



This is the time for protest if allowable

- Send notice of ESCO selection to all participants
- Allow opportunity for debrief
- Allow time for discussions and final decision



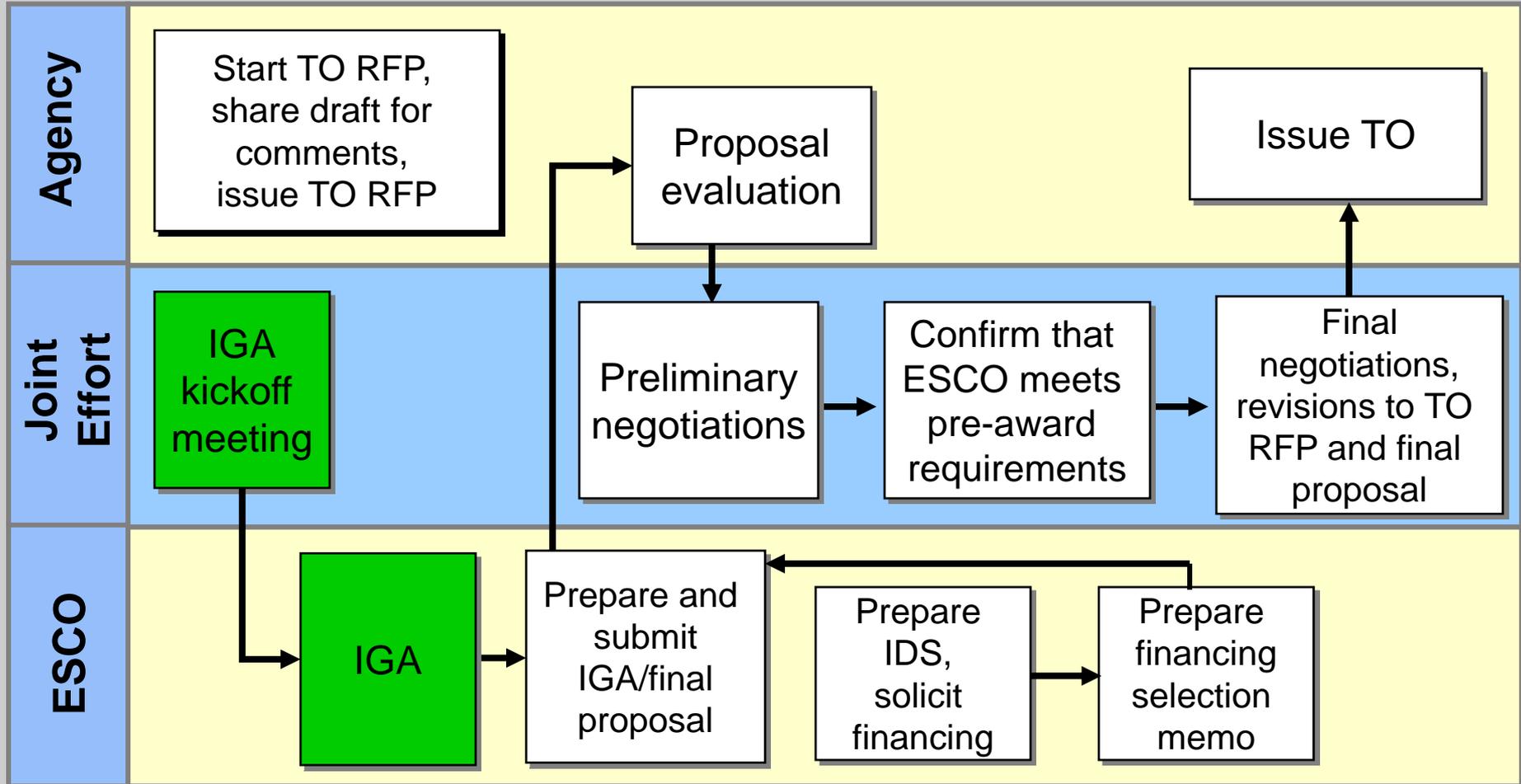


Phase 3: Negotiation and Award of Final Task Order





Phase 3: Negotiation and Award of Task Order



IDS — Investor's Deal Summary

IGA — Investment-Grade Audit

TO RFP — Task Order Request for Proposal



Kickoff Meeting - DES/IGA

- DOE – Detailed Energy Survey/Investment Grade Audit
- DOD – Feasibility Study
- Purpose: Same - To get all interested parties to the table to begin the process
- FEMP services include facilitation of kickoff meeting





The Final Proposal

- Executive summary – No change
- Technical aspects – No change
- Pricing
 - TO schedules – change in format but not drastically
 - Level of supporting detail as per TO RFP
 - Financing summary



Changes in the Task Order Financial Schedules



Schedule TO-1

- Notes and conditions of project such as length of implementation period and escalations moved to the top of the schedule

SCHEDULE TO-1 (final)
GUARANTEED COST SAVINGS AND CONTRACTOR PAYMENTS

IMPORTANT INFORMATION

- (1) This schedule is not to be altered or changed in any way. Please note any clarifications in the comments/explanations area below.
- (2) The first year post-acceptance performance period estimated annual cost savings reflect technical proposal and engineering estimates as per TO-4.
- (3) The guaranteed annual cost savings are based on the site-specific M&V plan.
- (4) The total of contractor payments (columns c and f) represents the TO price and should be supported by information submitted in and provided Schedules TO-2 and TO-3.
- (5) If applicable, prior to post-acceptance performance period, implementation period allowable payments and energy savings are one-time amounts.
- (6) If applicable, provide a separate table showing proposed energy rates (i.e., \$/kWh, \$/kW, \$/MBtu) for each post-acceptance performance period derived using the National Institute of Standards and Technology Handbook 135 and Annual Supplement. Also, submit escalation rates applicable energy-related O&M savings (including water and sewer): ___% per year.
- (7) [Reserved]
- (8) [Reserved]
- (9) [Reserved]
- (10) If selected, the contractor shall complete the installation of all proposed ECMs not later than _____ months after TO award.

Task Order No.:	Contractor Name:	Project Site:	
	(a) Estimated Cost Savings (\$)	(b) Guaranteed Cost Savings (\$)	(c) Contractor Payment (\$)
Implementation Period	117,095	117,000	117,000
Post-Acceptance Performance Period Year	(d) Estimated Annual Cost Savings (\$)	(e) Guaranteed Annual Cost Savings (\$)	(f) Annual Contractor Payments (\$)
One	285,640	276,384	276,383
Two	294,095	284,572	284,571
Three	294,596	285,226	285,225
Four			
Five ~			
Totals	4,022,293	3,741,531	3,741,519



Differences in TO-2

- DOE - No “B-1” Schedule (maximum markups per ECM)
- Markup is on total project
- Direct, indirect and profit are separate elements
- DOD – No Change

TO-2 shows total direct and indirect costs and profit by ECM

(Just Like TO-4 Detailed Savings Per ECM)

SCHEDULE TO-2 IMPLEMENTATION PRICE BY ENERGY CONSERVATION MEASURE								
IMPORTANT INFORMATION:								
1) This schedule is not to be altered or changed in any way. Please note any clarifications in the comments/explanations area below. 2) Implementation expense shall include only direct costs for each ECM and no post-acceptance performance period expenses. Indirect expenses and profit will be applied to the sum of direct expenses for all ECMs and project development to calculate total implementation price (d) for the project. 3) Contractor shall attach adequate supporting information detailing total implementation expenses. 4) Contractor shall propose bonded amount representing the basis of establishing performance and payment bonds per Section H of the contract, as required. 5) Attached supporting information shall be presented to identify portions of ECM or project expenses included in proposed bonded amount. 6) Proposed bonded amount is assumed to include indirect expenses and profit applied to implementation expenses above, unless otherwise specified by contractor. 7) For the following ECMs, enter the <i>total installed capacity of new equipment</i> in the units specified (e.g., chillers-150); chillers and packaged units in tons, VFDs in hp, boilers and furnaces in input Btu/hr, BAS/EMCS in number of points, transformers in kVA, generators in kW. For lighting ECMs, specify baseline kW treated. 8) M&V expense shall not include any performance-period expenses.								
Project Site:			Task Order No.:			Contractor Name:		
Tech Category (TC)	ECM No.	Equipment Description — Title	ECM Size	M&V Expense	Implementation Expense		(c) Profit \$	(d) Implementation Price: Totals (a)+(b)+(c) = (d)
					(a) Direct	(b) Indirect		
n/a	n/a	Project Development	n/a	\$	\$			
					\$			
					\$			
					\$			
					\$			
					\$			
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					\$			
					\$			
					\$			
					\$			
					\$			
TOTALS					\$	\$	\$	\$
Bonded Amount (\$)								

Explanations/Comments:



Difference in TO-3 Schedule

- No “B-2” Schedule
- No added premium maximum

SCHEDULE TO-3 — POST-ACCEPTANCE PERFORMANCE PERIOD CASH FLOW		
Project Site:	Task Order No:	Contractor Name:

Project Capitalization		Applicable Financial Index: US Treasuries	Issue Date: 3/15/2003
Total Implementation Price (from TO-2 Total)	2,036,037	Term (Years): 13	Source: Treasury Web
Plus Financing Procurement Price (\$)	187,702	Index Rate: 5.10%	Effective Through: COB 4/1/03
Less Implementation Period Payments (from TO-1 (final) (c)) <i>(If proposed, must be fully documented)</i>	117,095	Added Premium (adjusted for tax incentives): 1.90%	
Total Amount Financed (Principal)	2,106,644	Project Interest Rate: 7.00%	

Term	1	2	3	4	5
Annual Cash Flow (Post-Acceptance Performance Period)					
Debt Service					
Principal Repayment (\$)	\$ 84,805	\$ 98,021	\$ 123,453	\$ 140,205	\$ 158,400
Less incentives (i.e., REC, White Tag, etc.)					
Net principal repayment before interest					
Interest (\$)	\$ 146,793	\$ 140,399	\$ 132,629	\$ 123,412	\$ 112,976
Total Debt Service (a)	\$ 231,598	\$ 238,420	\$ 256,082	\$ 263,617	\$ 271,376
Post-Acceptance Performance Period Expenses					
	1.00	1.0305	1.0619	1.0943	1.1277
Management/Administration	\$ 4,080	\$ 4,204	\$ 4,333	\$ 4,465	\$ 4,601
Operation					
Maintenance	\$ 1,600	1,649	1,699	1,751	1,804
Repair and Replacement	5000	5,153	5,310	5,472	5,638

SCHEDULE TO-5 ANNUAL CANCELLATION CEILING SCHEDULE

Project Site:	Task Order No:	Contractor Name:
exercise FP	123456	0

		Total Cancellation Ceiling
Installation Acceptance		\$ 2,262,425
End of Year One		\$ 2,173,380
End of Year Two		\$ 2,070,458
End of Year Three		\$ 1,940,832
End of Year Four		\$ 1,793,616
End of Year Five		\$ 1,627,296
End of Year Six		\$ 1,446,533
End of Year Seven		\$ 1,243,927

SCHEDULE TO-5

ANNUAL CANCELLATION CEILING SCHEDULE

IMPORTANT INFORMATION:

- (1) Cancellation Ceilings for each time period specified below establish the maximum termination liability for that time period, and includes the remaining unamortized principal on total amount financed for each time period specified above plus any prepayment charges. Actual total termination costs will be negotiated.
- (2) The contractor may attach a monthly Financing Termination Liability Schedule.
- (3) In the event of TO cancellation or termination for convenience, FAR 52.217-2 or 52.249.2 will apply.

Project Site:	Task Order No:	Contractor Name:
exercise FP	123456	0
	Cancellation Ceiling	
Installation Acceptance	\$ 2,262,425	
End of Year One	\$ 2,173,380	
End of Year Two	\$ 2,070,458	
End of Year Three	\$ 1,940,832	
End of Year Four	\$ 1,793,616	
End of Year Five	\$ 1,627,296	
End of Year Six	\$ 1,446,533	
End of Year Seven	\$ 1,243,927	

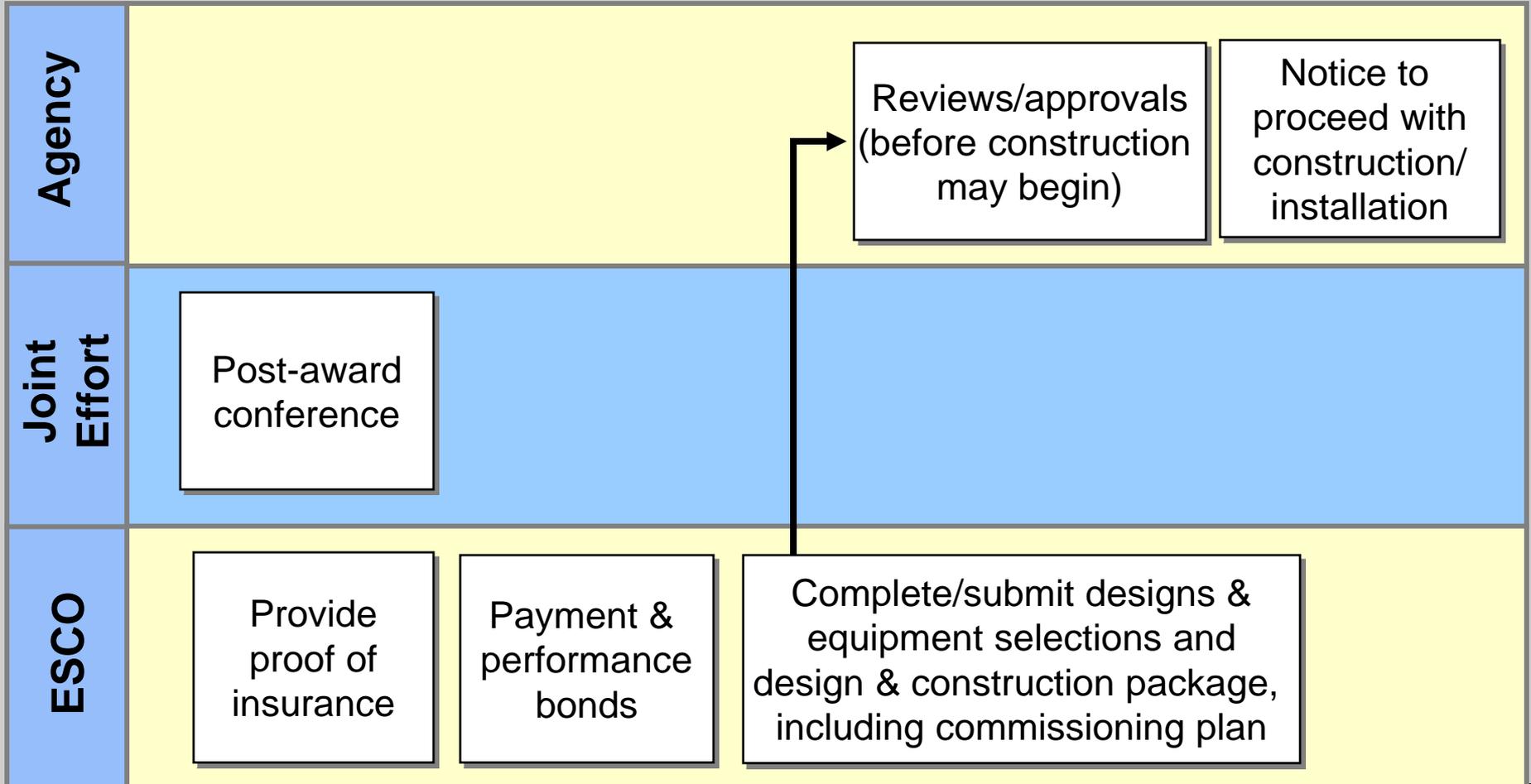


End of Changes in Process and Structure

Next: A flip-through to identify that nothing more has changed

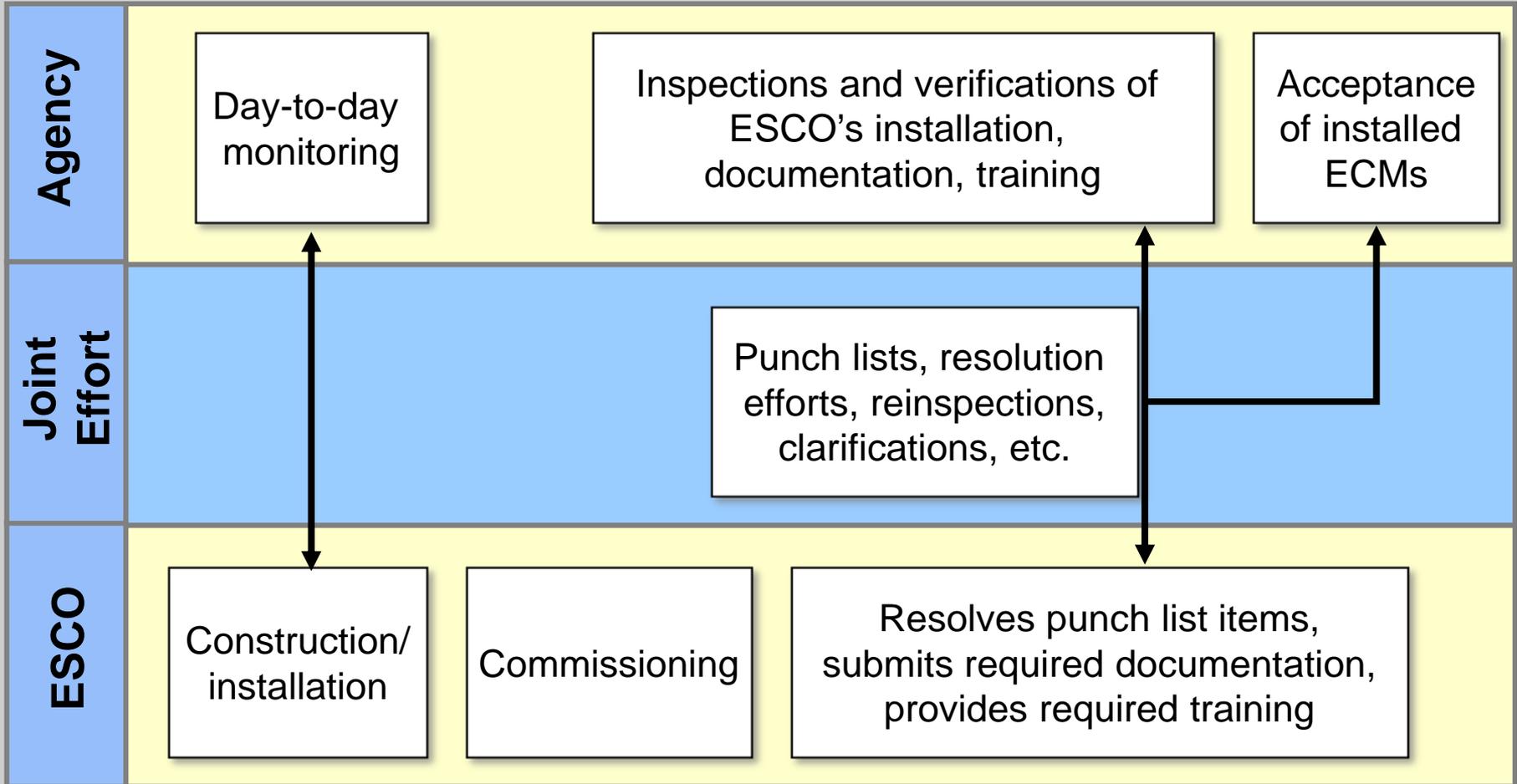


Phase 4, Part 1: Pre-Installation Activities



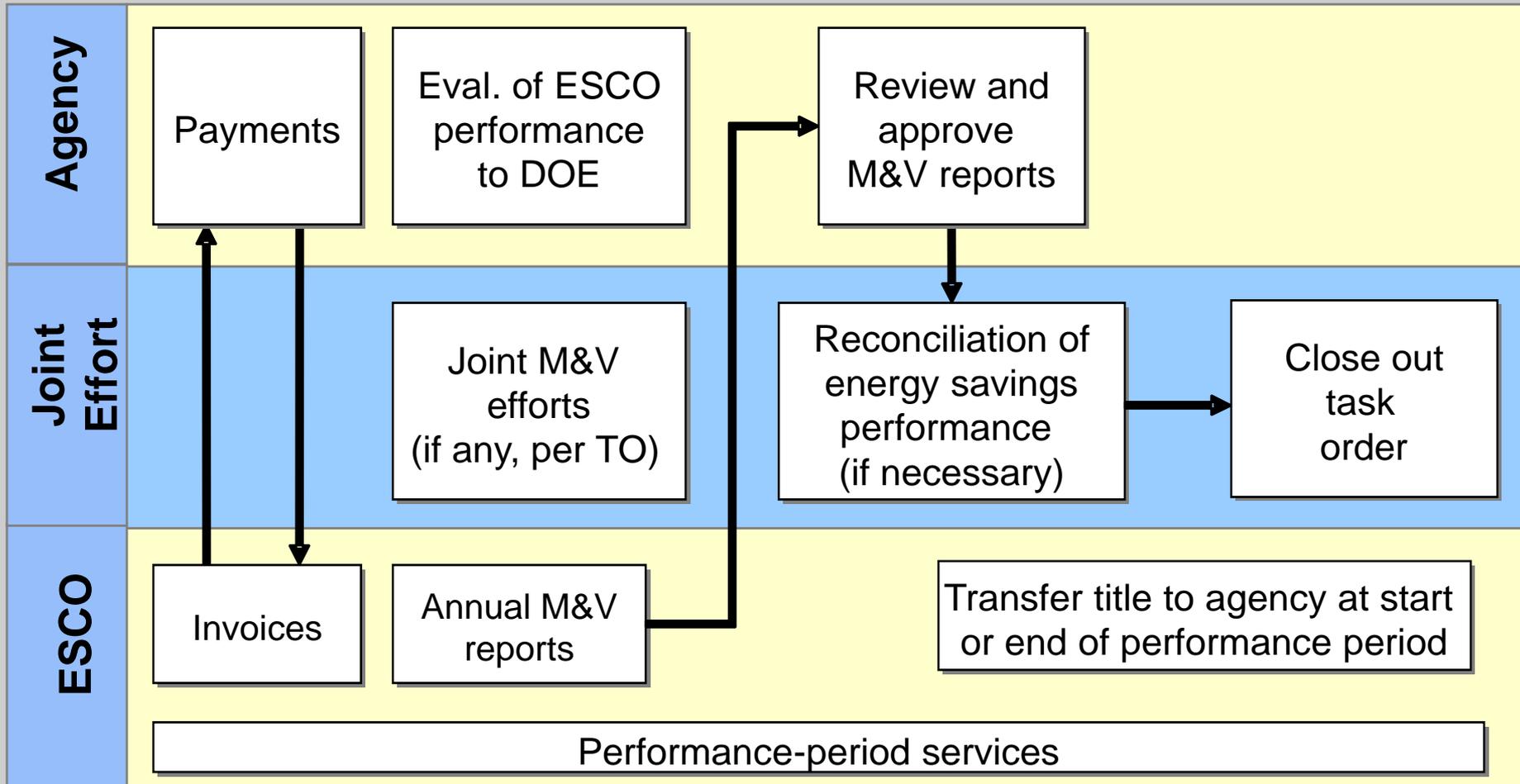


ECM Installation & Acceptance





Post-Acceptance Performance Period





Comments?
Questions?
Or just wondering?

