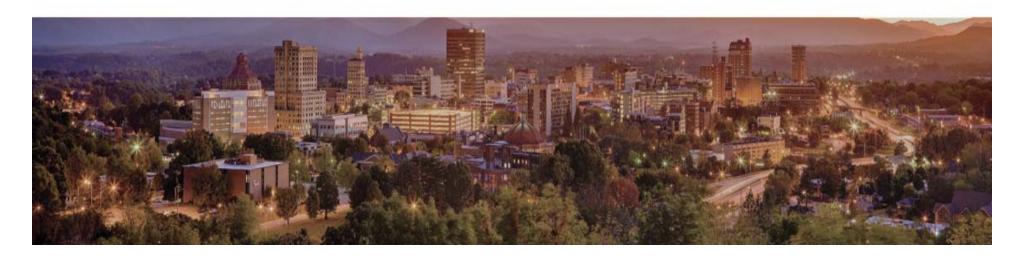




Performance Contracting

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SAVINGS or AVOIDED COSTS

Savings =

Avoided costs =



Terms and Acronyms

- Performance Contract
 - Guaranteed Energy Savings Performance Contract
- ESCO Energy Service Company
- > IGA Investment Grade Audit
 - Detailed Energy Survey
- > M&V Monitoring and Verification
- > ESA Energy Services Agreement
- > ECM Energy Conservation Measure
- LGC Local Government Commission in Treasurer's Office



What is Performance Contracting

- An ESCO designs and proposes a package of energy cost reduction measures, installs or implements those cost reduction measures, and guarantees the savings of the cost reductions
- The Governmental Unit pays for the package over time using the stream of revenue provided by the energy reduction measures
- Third party monitoring and verification



Why Not Do It Yourself

- Often opportunities to reduce energy costs are well known but owners are unable to take advantage of them
 - Capital
 - Expertise
 - Manpower
- Who guarantees the savings?



Performance Contracting Advantages

- A Design-Build process with a single point of responsibility
- Provides capital
- Provides engineering and project management expertise
- Guaranteed performance/savings



Performance Contracting Pitfalls

- Failure of governmental unit to perform due diligence
- > Failure to understand contract
- Overly optimistic expectations / promises
- Poor project specifications
 - > RFP
 - > IGA
 - > M&V
- Time must be allocated to see process through



Performance Contracting Pitfalls

While reducing operating costs through energy reductions is important your primary concern is remaining in compliance with your permit requirements!



Available Assistance

- The Utility Savings Initiative will provide assistance during each step of the process
- All documents and steps must conform to General Statues and LGC Application for Approval
- School of Government, University of North Carolina at Chapel Hill – Environmental Finance Center
- North Carolina Division of Water Infrastructure



Steps to a Successful Project

- Assemble stakeholders
- Create scope of work for project
- > Issue RFP
- Negotiate:
 - Attachments A, B and C
 - > IGA
 - ESCO contract (ESA)
- > Select ESCO



Steps to a Successful Project

- > Perform IGA
- Finalize costs and terms
- > Issue financial RFP
- > For local governments receive LGC approval
- > Sign ESA
- > Construction
- > Guarantee period



Energy Services Agreement

Construction bond

- The construction bond ensures the equipment is delivered as specified, properly installed and properly commissioned
- The construction bond will cover the cost of the project completion if for any reason the contractor is unable to complete the project



Energy Services Agreement

- Savings Guarantee and Security Instrument
 - The ESCO guarantees that if there is a difference between actual savings and guaranteed savings they will issue a check for the shortfall
 - The ESCO "shall provide security to the governmental unit in the form acceptable to the Office of the State Treasurer and in an amount equal to 100% of the total cost of the guaranteed savings contract"



Legislative Basis

- General Statute Article 3B Part 2 143-64.17 through 143-64.17L
- General Statute Article 8 142-60 through 142-70
- 01 NCAC 41B.0101 through 41B.0901
- LGC Application for Approval of Guaranteed Energy Savings Contracts



Assistance Available Through USI

- Project Identification
- > Standard RFP available
- Standard Investment Grade Audit Contract available
- Standard Energy Services Agreement available
- List of pre-qualified ESCOs



Contact Information for USI

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A Final Thought

"A good plan implemented today is better than a perfect plan implemented tomorrow."

George Patton

