



Energy Savings Performance Contracting

An Energy Efficiency Program for
The City of Stevenson
Publicly-Owned Buildings
December 2017

Legislative Authority

- **RCW 39.35A.050**
 - The state department of general administration shall maintain a registry of energy service contractors and provide assistance to municipalities in identifying available performance-based contracting services.



Energy Savings Performance Contracting Definition

- A method of identifying, constructing and financing energy and utility conservation projects.
- Uses energy utility dollars saved and utility rebates to pay for the project costs.
- Eliminates many risks associated with the design, bid, build (DBB) process.



Energy Savings Performance Contracting Benefits

- Low bid acceptance not required.
- Owner involved with subcontractor selection.
- Owner involved with equipment selection.
- **GUARANTEED:**
 - Maximum project cost
 - Energy savings
 - Equipment performance
- Maintenance costs reduced.
- Funds available through the State Treasurer.
- Improved indoor environmental conditions.
- Positive cash flow over measure life.
- DES has over 25 years of performance contracting experience.



Energy Savings Performance Contracting v. Design, Bid, Build

	Conventional DBB Method	ESPC Method	ESPC Benefits
A&E Selection	Required competitive	Competitive State pre-qualified firms - or - DES helps with selection	Save time and cost
Contracts	Contracts have to define materials and product in detail	Contracts define performance and guarantees	Save time and cost No surprises Fair state documents
Pricing	Not "open book" – Low bid + change orders	Open book pricing available* Fees pre-negotiated and guaranteed	Know what you are paying for Know what you get
Financing	Up front: capital or operating budgets	State Treasurer, bonds or 3 rd party Paid out of savings	No legal fees Power of state buying Low interest rates



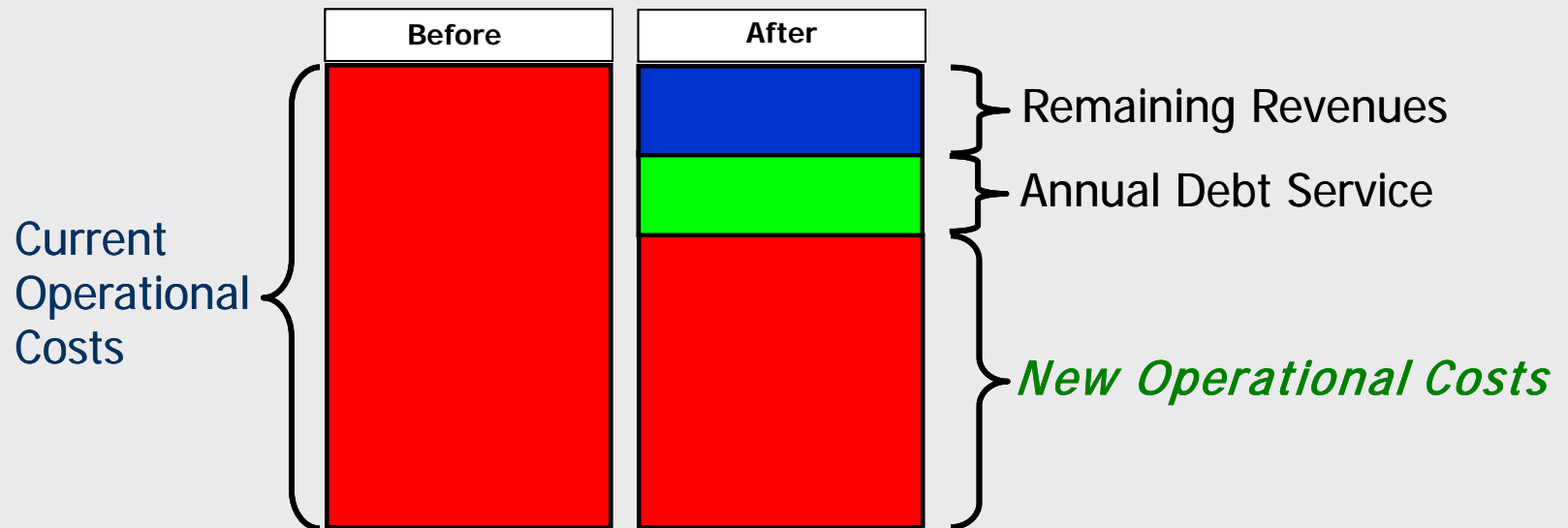
Energy, Water, Sewer and Waste Disposal Saving projects Qualify

- Lighting projects – lamps, ballasts & fixtures
- HVAC modifications
- Steam & condensate piping systems
- Boiler & chiller systems
- Motors and pumps
- Energy management control systems
- Buildings and grounds water conservation
- Waste reduction
- State funding option may be available for projects with 7 year simple payback



Financing

Budget Neutral Approach



Financing Options

- **Energy Service Company (ESCO) Financing**
- **State Treasurer's LOCAL Program**
 - Recent rates in range of 2% interest on 10 year term
 - 5, 10, 15 year loan
- **State grants (OSPI, Commerce, Ecology)**
- **Federal grants**
- **Capital, levy or operating funds**



DES Experience

- DES Energy conservation in public facilities (since 1984)
 - Managed statewide projects in over 400 public facilities
 - Installed more than \$1 billion in energy efficiency projects
 - Saved more than 400 million kilowatt-hours of electricity
 - Saved more than 15.5 million therms of natural gas
 - Reduced Carbon(CO2) emissions by more than 270,000 tons
 - Helped customers receive more than \$72 million utility incentives
 - Public agencies have avoided more than \$40 million in annual utility costs with an accumulated savings of over \$183 million
- Clients include state agencies, colleges and universities, cities and towns, counties, school districts, port districts, libraries, hospitals, health districts...

Olympic College
City of Des Moines
Washington State University
William Shore, Des Moines
and North Kitsap Pools

City of Olympia
Bellevue School District
Enterprise Services
Veterans Administration

Tacoma Community College
Central Kitsap School District
South Kitsap School District
...and a hundred more



Procedure

- 1. Agreement established between DES and you (e.g. county, agency, school district, etc.):**
 - DES initiates an Interagency Agreement (IAA)
 - Both parties (owner & DES) sign IAA



Procedure

2. ESCO Selection:

- DES has pre-qualified Energy Service Companies (ESCOs).
- Owner reviews the qualifications and chooses the ESCO that is a good fit for its needs.
- Owner may also interview the ESCOs to choose the right one for its needs.



Procedure

3. Audit Phase:

- Select facilities and systems to study.
- Conduct preliminary walk-thru to develop audit proposal.
- Owner establishes payback criteria.
- ESCO and DES sign agreement for investment grade audit.
- Owner signs funding authorization.



Procedure

3. Audit Phase (cont'd):

- ESCO develops investment grade audit – first cost and savings guarantee.
- Owner may list favored and disfavored subs and equipment!
- DES reviews and comments on draft audit.
- ESCO presents audit results.



Procedure

4. Design & Construction Phase:

- ESCO and DES sign construction contract
- Owner signs funding authorization
- DES issues notice to proceed
- DES and owner review design documents
- Bid documents prepared by ESCO
- Sub-contractors and equipment selected
- DES manages ESCO project construction
- DES and ESCO verify first costs and savings



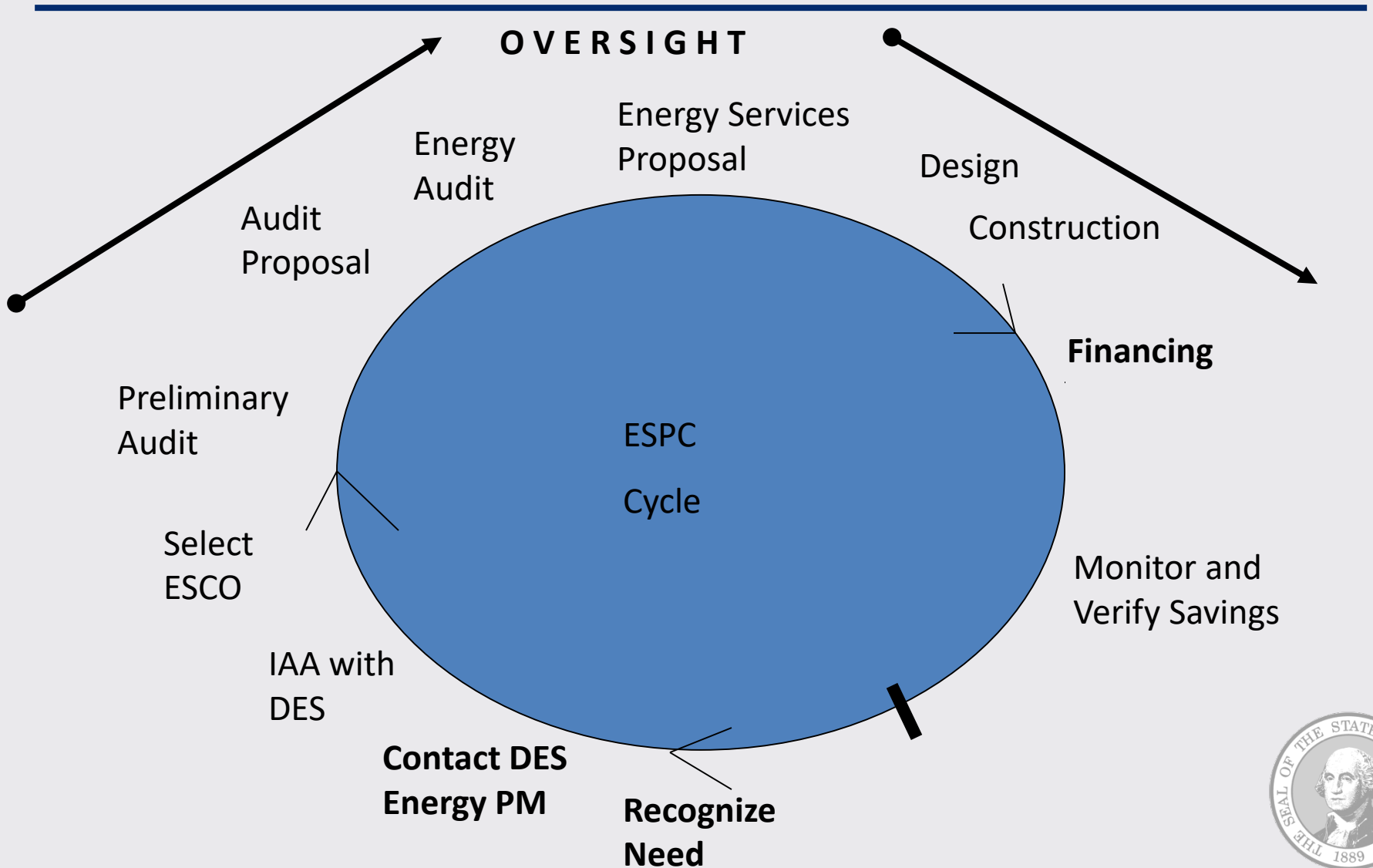
Procedure

5. Monitoring and Verification:

- First year monitoring and verification (M&V) is part of the project cost.
- M&V in years 2 thru 10 are covered under a separate agreement, authorized by the owner.



Process



Process Notes

An Interagency Agreement (IAA) allows DES employees to begin working with a client such as the City of Sequim. The agreement has a schedule that identifies fees, but no fees are committed or owed with the IAA itself unless and until an amendment to the IAA is signed for an Investment Grade Audit Proposal, or an Energy Services Proposal (ESP).

The DES Energy performance contract has checkpoints at each stage that allow the client to consider and decide the client's financial commitment. At each checkpoint, a written, signed agreement or amendment is required.

These checkpoints are:

- Initial Interagency Agreement (IAA)
- Investment Grade Audit
- Energy Services Proposal

For more information, please follow this link to [a document that explains the DES Energy Performance Contracting process.](#)



For More Information

- Questions?
- Visit our website at
www.des.wa.gov/eas/energy
- State Treasurer's LOCAL Program
<http://www.tre.wa.gov/LOCAL/>
- Thank You!
- Lisa Steel

Energy Engineer
Department of Enterprise Services
Energy Program
360-407-9373
Lisa.STEEL@des.wa.gov

