

Energy Savings Projects Process Steps for Facilities

Introduction

The Energy Savings Project is a procurement process that seeks to set up a win-win situation between the participating State Agencies and a Qualified Energy Services Company (ESCO). Process steps and standard documentation have been put in place to assist agency administrators determine the best ESCO for a given facility's needs to obtain capital improvements by superior providers.

The checklist of actions will assist the facilitator throughout the selection process.

Terminology:

Act 1761 (Senate Bill 1091) 2005 – An act authorizing State Agencies to enter into Guaranteed Energy Cost Savings Act, provide procedures for bid proposals, evaluations, and contract awards.

Energy Conservation Measure – ECM – A new or existing facility alteration that is designed to reduce the consumption of energy, natural resources, or operating cost as a result of the changes that: 1) Do not degrade the level of service or working conditions, 2) are measurable/verifiable under the International Performance Measurement and Verification Protocol as it existed on January 1, 2005.

Energy Services Company – ESCO – Service providers that have been reviewed and qualified by the Office of State Procurement to participate in the Energy Savings Projects.

Operational Cost Savings – Expensed eliminated and future replacement expenditures avoided as a result of new equipment installed or services performed.

Request For Proposal – RFP – Document issued by the agency interested in contracting with one of the qualified ESCO's to perform an IGA. The ESCOs will prepare a Preliminary Technical Proposal in response to receiving a RFP.

Investment Grade Audit – IGA – An extremely thorough examination of the operating conditions and energy use of the buildings investigated. This is the basis for securing financing of a defined project scope.

Energy Savings Project Contract – A contract for the implementation of one (1) or more energy cost savings measures and services provided by qualified energy service companies in which the energy and cost savings achieved by the installed energy project cover all project costs, including financing, over a specified contract term. The provisions of Act 1761 and the Arkansas Procurement Law 19-11-201 et seq. shall control if there is any conflict. Annual energy or operational cost savings must meet or exceed the annual costs of the energy cost savings measures as required by the contractor. If cost savings is not achieved, the qualified provider shall reimburse the state agency for any shortfall of guaranteed energy savings on an annual basis. If cost savings is exceeded, agency shall retain additional savings.

Preparing for a Project

It is not unusual these days for organizations to be wrestling with a number of new projects. With so many ongoing projects it becomes difficult for smaller projects to get adequate support, or even the attention of senior management. Three particularly common problems in organizations trying to manage multiple projects are:

1. Delays in one project delay other projects because of common resource needs or technological dependencies.
2. The inefficient use of resources results in peaks and valleys of resource utilization.
3. Bottlenecks in resource availability or lack of required technological inputs result in project delays that depend on those scarce resources or technology.

Experience has shown that projects focused on reducing energy consumption lack the glamour of many competing projects. However, energy costs can represent a significant portion of an organization's operating budget (25% or more of non-salary expenses). Furthermore, the working environment created by lighting, heating, ventilation, and air conditioning equipment have a significant impact on productivity, occupant's health, absenteeism, and a facility's emergency preparedness. Management's decision to follow through with a project is highly dependent on their belief and understanding that the overall goals and strategy of the organization can be met through the implementation of the project. It is imperative, therefore, that the goal and objectives of an energy related project are thoroughly understood and communicated within the organization.

Establishing the goal and objectives – This information is very important to most energy services providers. Projects that have a well defined goal and objectives are more likely to succeed. Time should be invested in the project development process to ensure a successful outcome. Prepare to provide the following:

- Identify the project facilitator.
- Briefly describe the problem or opportunity that you desire the project to address.
- Identify the expected benefit(s) that the project will provide. Consider the impact on energy costs, customer satisfaction, overall safety, performance and efficiency improvements, and added capability.
- Determine operational and time constraints that may impact the implementation of the project.
- Describe the metrics that will be used by management to determine the value and profitability of a proposed solution.
- Identify the funding options that are available to implement the project.
- Determine if this project has the potential to lead to other work within the organization.
- Expected project size – Rule of thumb is to take 15% of your annual utility costs and multiply it by the number of contracting years, i.e. 10 years.
- If the entire facility is not included within the project scope, determine which set of buildings and/or rooms will be included.

Facilitator's duties – The facilitator of the project will begin much of the background work early in the procurement process. Depending on the availability of information, he/she may spend a significant number of days or weeks preparing to implement the process. There are a number of resources available to the facilitator. The following begins the checklist of activities:

Issue a "Request for Delegation" letter from Office of State Procurement – This is a simple document that identifies the administrator responsible for the procurement process, contact information for the administrator, the expected scope of the project, the involved buildings within a facility, and the annual cost of all applicable energy needs utilized by the involved buildings. The sources of energy may include: Electricity, Natural Gas, and Water & Sewer. The letter should be addressed to the Director, Office of State Procurement.

Seek Proposals

Develop the RFP.

- Insert agency specific information within the document.
- Determine if you wish to have a pre-bid meeting. If so, provide the date, time and location.
- Establish specific target dates
- Provide technical profile information regarding the facility
- Request enough copies of the proposal to allow distribution to the review team

Obtain internal approval of the RFP document and send to all the approved ESCOs.

Selecting an ESCO to proceed with the Project

Establish a Proposal Review Team – The team will perform the following tasks:

1. Score the assigned areas of the written Technical Proposal.
2. Score the Preliminary Cost Proposal.
3. Develop a list of questions concerning each proposal.

You may wish to host a meeting prior to the receipt of proposals to familiarize the evaluation team with the process and describe their responsibilities.

Suggested Team Members:

- Facility Maintenance – Mechanical
- Facility Maintenance – Electrical
- Agency/Facility Engineering Representative
- Agency/Facility Financial Representative
- Agency/Facility Administration Representative
- Facility operations stakeholder, lead guard, lead manager, etc.

Permit ESCOs access to your facility – The ESCOs will probably wish to perform a fairly thorough review and inventory of the buildings and operations included in the scope of work.

- Offer a meeting with each ESCO to discuss the policies and safety requirements that you expect them to adhere to during their visits.
- Define the time of day that will be used for visitation, and define what the work hours are expected to be during the actual construction phase.

- Define how the ESCOs shall bring forward questions, and who will be their primary contact during this phase.
- ESCOs will probably ask a great deal of questions, take miscellaneous measurements, and possibly install data loggers for some period of time.
- The more access and information that is provided to the ESCOs, the better their proposal will reflect your needs and offer additional ECMs that are worth consideration.

Distribution of the written proposals – The proposals should be distributed to the entire proposal evaluation team. The **COST PROPOSAL** shall be retained by the project facilitator until the Technical Written Proposals have been evaluated.

Technical Proposal review areas – Each member is responsible for reviewing the proposals in their entirety and score each area based on their experience and skill set.

Distribution of proposal score sheets – Provide all members of the review team with score sheets and the date to have them completed. Describe the method the members shall use to return the forms, i.e. electronically (e-mail) or hardcopy (fax, mail, etc.).

Compiling the scores – Send the completed score sheets to the review team chairperson.

Distribution of the Preliminary Cost Proposals – Within several work days of completing the written proposal scoring, the Preliminary Cost Proposals should be distributed to the entire review team. Provide the members with the cost proposal score sheets and the date to have them completed. Again, send the score sheets to the review team chairperson.

Send Questions to ESCO – The review team will complete a listing of any questions that require clarification regarding each of the technical written and cost proposals.

- Establish the date for the review team to complete their list of questions.
- Describe the method to use to return questions to team chairperson.
- Sort the questions by ESCO and forward to ESCO.
- The ESCOs should prepare to answer these questions at the Oral Interview session.

Host Oral Interviews – Each ESCO will be given equal time to present their proposal and answer questions.

- Provide room for the entire review team and 6 to 10 ESCO participants.
- Room should accommodate AV presentations, i.e. dimmed lighting, screen. (ESCOs should provide their own projection equipment)
- Pre-define the format of the oral interviews, i.e. 15 minute presentation, 90 minutes for Q & A, 15 minute wrap-up and definition of follow-up required.
- If no follow-up is required, then have each team member score the presentation immediately following the oral interview.
- If follow-up is required then establish the date that all scoring shall be completed.
- After the scoring is complete, send all score sheets to team chairperson.
- Team Chairperson will compile all of the score sheets and provide the results of the entire review.
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Select the Project ESCO – The ESCO with the highest score is the winning ESCO.

- Make a recommendation to administration to enter into an audit agreement.
- Administration must make a decision to move forward with the project.

Administrative Decision:

Project is a go – The project will proceed with the recommended ESCO

- Notify all of the ESCOs of the selected ESCO.
- Be prepared to offer an exit interview to the unsuccessful ESCOs.
- Execute an Audit agreement with the selected ESCO.

Project will be terminated – For some reason the organization's administration has elected not to proceed with the project.

- Notify the ESCOs that the project is terminated. Do not disclose the winning ESCO.
- Be prepared to offer an exit interview to the unsuccessful ESCOs.
- Be prepared to return all proposal materials.

If the Request for Proposal is being issued by the OSP, the following steps will occur:

- Agency selects project site(s). ABA approves project and authorizes OSP to issue RFP.
- OSP issues RFP to ESCOs.
- OSP received RFP responses and opens bids. Cost Proposal remains with OSP Buyer.
- Agency evaluation team reviews proposals, conducts oral interviews and evaluated responses.
- After the technical evaluation is complete, OSP Buyer and evaluation team open the Cost Proposal and determine the successful ESCO.
- Agency executes a technical audit contract.
- ESCO conducts audit.
- Agency approves audit results.
- OSP/Agency negotiates and executes energy performance contract.
- ESCO begins construction.
- ESCO completes construction; Agency accepts and approves project.
- Guaranteed savings period begins.
- Ongoing savings monitoring