

# Regional ESCO Project Performance Contracting 101

Topsfield Energy Committee

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# Agenda

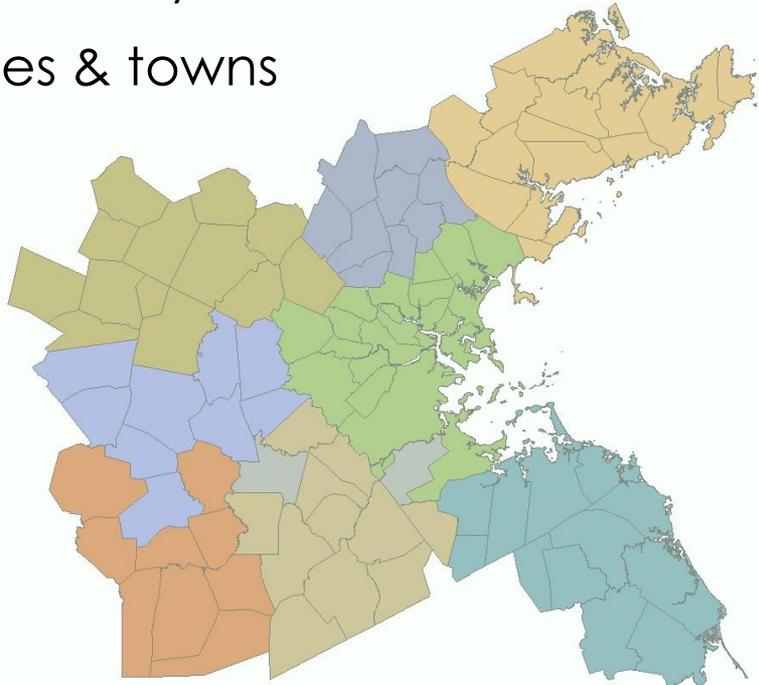


- Introductions
- MAPC Solicitation & Timeline
- Performance Contracting Process
- Potential Topsfield Energy Projects
- Note on Owner's Agent

# What is MAPPC?



- 1 of 13 Massachusetts Regional Planning Agencies
- Special geographic district established by M.G.L.
- 101 cities & towns



- Services include:
  - **land use, environmental and transportation planning;**
  - **data analysis & GIS;**
  - **policy advocacy;**
  - **municipal services & collective procurement**



# Regional ESCO Project



**Objective: To select a single Energy Services Company (ESCO) to provide comprehensive energy services to all 14 participating communities.**

- Arlington
- Ashland
- Chelsea
- Everett
- Framingham
- Gloucester
- Melrose
- Norwell
- Rockport
- Sharon
- Sherborn
- Sudbury
- Topsfield
- Wayland

- Procurement funded under the MA District Local Technical Assistance (DLTA) program in 2011
- Hired Peregrine Energy Group as consultant

# Why Regionalize?



- More bidders
- More competitive pricing
- Greater leverage in negotiations
- Cities and towns given equal consideration
- Wider range of experience engaged in collaborative selection process

*Participating communities have the **option** to contract with the selected ESCO without going through their own procurement process. **There is no obligation to do so.***



# Solicitation Timeline



- **May-June 2011:** RFQ compiled, municipal facility data collected
- **July :** RFQ issued
- **September:** Proposals due (8 received)
- **October-November:** ESCO Selection Committee reviews proposals, conducts interviews
  - 7 communities on Selection Committee
  - MAPC & Peregrine do not vote
- **December:** Regional ESCO vendor chosen
- **Starting January 2012:** Work with individual communities begins



# Why Do Performance Contracting?



- Energy efficiency and infrastructure renewal
- Multiple projects in multiple buildings bundled into single contract
- Design/build (vs. design/bid/build)
- Reduced risk of project problems – expertise in design, professional construction management, commissioning and testing
- Project savings will exceed debt service (state mandated)
- Savings guarantee (ensures you will have ongoing MBCx, usually first to be cut out of project budgets)

Performance contracting is a mechanism for **capital improvements** and **asset modernization.**

(more than energy savings)

# Performance Contracting Process



- 1) ESCO selected; begins marketing to Town
- 2) Town signs Investment Grade Audit agreement with ESCO
  - Breakage fee (typically: 5-10 cents per sf)
- 3) ESCO conducts Preliminary Energy Assessment and creates list of potential projects (2 mos)
- 4) Town selects projects for IGA (1 mo)
- 5) ESCO completes IGA and proposal (1-2 mos)
- 6) Town proceeds with Energy Services Agreement **or** pays for IGA

Now is the time to begin **educating municipal staff** and **developing project wish-lists** for each building

# Cash Flows



- 1) Town secures project financing
  - **Common misconception: “the ESCO pays for the projects.” This is false.**
- 2) ESCO is paid as projects are completed
- 3) Energy savings should exceed debt service
  - **Important: keep utility line flat!**
- 4) Savings are measured and verified
- 5) Actual savings reconciled against guarantees

## COSTS

- **IGA breakage fee (\$10-50k)**
- **Owner’s Agent fee (\$10-50k)**
- **Financing for full ESA (total project cost)**

# Town of Topsfield Energy Projects



Buildings listed in RFQ (~175,000 sf):

- Town Hall
- Fire Station
- Police Headquarters
- DPW Garage
- Park & Cemetery Office
- Proctor Elementary School
- Stewart Elementary School

# Owner's Agent Role



- Provides support during contract review
- Reviews proposed project list, pricing & savings estimates
- Reviews proposed M&V protocols
- Critiques design submittals and proposed equipment
- Observes systems commissioning and testing during construction
- Verify that documentation is complete and that staff receives proper training

MAPC **strongly recommends** that all participating communities **hire an owner's agent**, either through MAPC's contract with Peregrine or through their own process.