

EDENTON-CHOWAN SCHOOLS



ENERGY PERFORMANCE CONTRACTING

QUARTERLY BOARD MEETING
OCTOBER 17, 2011

WHAT IS A PERFORMANCE CONTRACT?



A single procurement contract for engineering, construction, installation, maintenance, etc. that specifies performance energy saving improvements in facilities resulting in sufficient avoidance of energy cost to pay for associated costs over the life of the contract.

In simple terms, energy performance contracting is a project approach that utilizes the energy savings and revenue gains to pay for the project cost.

WHAT IS PERFORMANCE CONTRACTING?



- An Energy Saving Company (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 issuer (us) pays for the package over time using the stream of revenue (savings) provided by the energy reduction measures.

WORKS BEST WHEN...



- Aging buildings or equipment;
- Recurring maintenance problems or high maintenance costs;
- Comfort complaints;
- Low indoor air quality;
- Renewable and Green energy options are important to consider, but need to be packaged for economic feasibility;
- Scarce budget resources (primarily for capital improvements, but also under high maintenance strains);
- Energy management expertise is low or assigned to other priorities;
- Too many demands on maintenance staff;
- No recent upgrades of lighting or controls systems; and
- Energy-using equipment that is ready for replacement.

PERFORMANCE CONTRACT



The contract differs from conventional contracting in that it replaces the collection of multiple solicitations and contracts with a single proposal covering all aspects of the project and one contract with the selected proposer. **That is, it is a “turnkey” operation.**

BENEFITS



The consolidation of many smaller projects into one larger project, with single responsibility for design, construction, installation, operation, maintenance, and with performance guarantees, especially if there is a lack of local funding and tax support commitment.

Other benefits include ...

BENEFITS



- Energy costs are reduced, since the project is financed through the energy savings;
- Third party financing, debt burden off balance sheet, no public approval, must self fund;
- A performance bond guarantees savings for the entire term of the contract;
- Proceed with worthy projects when funding from conventional resources are not available;
- Single source accountability - design, procurement, build, install, and sometimes maintain
- Performance risk resides with the ESCO/contractor;

BENEFITS



- Reduced cost of escalating utilities at contract completion;
- New equipment replaces old inefficient equipment, facilities are improved and modernized;
- Facility owner retains equipment and all the savings from reduced energy bills after the term of the contract;
- Decreased design-build schedule, resulting in early energy savings;
- Tracking energy performance makes administration and operations more aware of the causes and influence of changes that influence energy cost; and
- Provides engineering and project management expertise.

PITFALLS



- **Energy baseline developed without sufficient involvement of the owner;**
- **Unclear energy baseline adjustment;**
- **Operational savings or the inclusion of operational savings that are not energy related (labor, materials etc.);**
- **Excessive finance charges;**
- **Lack of local facilities control;**

PITFALLS



- **Terms of savings reconciliation versus budget cycle or carryover of savings;**
- **Quality control, that is the need to have third party verify quality of the contract; and**
- **Skimming the cream**

ALLOWABLE COSTS



Energy savings performance contracts may be used to purchase a wide variety of building equipment and services. Energy-efficient lighting, air conditioning systems, energy management control systems, motor replacements, and variable-speed drives for pumps and fans are commonly implemented improvements.

In addition to equipment installation, the contractor may propose various repair and maintenance services.

The costs for an independent consultant/engineer to verify contract

CONTRACT MAY BE AWARDED WHEN...



- The term of the contract is less than 20 years from the date of installation.
- The energy savings from the performance contract will equal or exceed the total cost of the contract.
- The energy conservation measures are for an existing buildings.
- The qualified provider provides security acceptable to the State Treasurer equal to 100% of the total cost of the guaranteed saving contract with any bonds required, in accordance with General Statutes.

EXPERIENCES FROM OTHER LEAs



What has been the experiences of other local school system who have implemented Energy Performance Contracting?

Minimize the slide show and open survey.

NEXT STEPS



- Utilize services of the NC Energy Office for technical guidance. Mr. Len Hoey (Utility Savings Initiative) will conduct a site visit to ECS.
 - ✦ November 3rd - Mr. Hoey will conduct a review of school facilities with Brad to ascertain viability of Energy Performance Contracting for ECS
 - ✦ November 4th – Mr. Hoey will meet with me and Board Committee to provide report of findings
- November Board of Education Meeting: Results to be presented to the full Board