FEDERAL UTILITY PARTNERSHIP WORKING GROUP SEMINAR

April 22-23, 2015
Nashville, TN

UESC and ESPC Quiz!

Hosted by:

[Logo of FEMP and TVA]
Authorization

• True or False:

The EPAct of 1992 authorized federal agencies to enter into energy savings contracts; codified in 42 USC 8287, is it true that it is the authority for both UESC and ESPC?
Competition

• True or False:
Is it true that all utilities within the state in which a Federal facility is located must be given fair consideration for UESC task orders?

• True or False:
Is it true that since utilities are subject to regulation by their PUC they do not have to competitively select their subcontractors when developing a UESC?

• True or False:
Is it true that Agencies must reach out to all ESCOs on the DOE-qualified list before selecting one to develop their ESPC?
Contracting Party

• True or False:
  Is it true that either the serving utility or their ESCO partner can be the prime on a UESC?

• True or False:
  Is it true that the competitively selected ESCO is always the prime on an ESPC?
Guarantee

• True or False:
  Is it true that OMB requires performance assurances or a savings guarantee in order for a project to be scored annually?

• True or False:
  Is it true that ESPC projects can opt not to have a savings guarantee?
Financing

• True or False:
Is it true that in a financed ESPC, the ESCO enters into a financing agreement with a third party finance company?

• True or False:
Is it true that Utility companies exclusively use their own capital to finance UESC projects?

• True or False:
Is it true that there is no need to compete among finance companies for UESCs or ESPC financing?
Maximum Project Term

• True or False:
  Is it true that ESPCs may have terms up to 25 years as stated in 42 USC 8287?

• True or False:
  Is it true that 42 USC 8256 (for all agencies) and 10 USC 2913 (DoD agencies) state that UESCs may have terms up to 25 years?
Measurement & Verification

• True or False:
Is it true that M&V is not allowed in UESC projects?

• True or False:
Is it true that M&V is a requirement in ESPC projects?
Project Size

• True or False:
Is it true that UESC task order have a lower limit of $1 million and an upper limit of $20 million?

• True or False:
ESPC projects must never exceed $5 million
Technologies

• True or False:
Is it true that in a UESC Electric companies may install only electric technologies and gas companies may install only gas-driven technologies?

• True or False:
Is it true that UESC and ESPC projects should be comprehensive in nature in order to achieve the deepest energy and dollar savings?
Approach

- **True or False:** Is it true that the same utility selected through a fair consideration process typically implements each step of the UESC process (PA, FS, D&I)?

- **True or False:** Is it true that ESCOs take a turnkey approach to the ESPC process (audit, DES, D&I)?
Privately financed projects comparison points between UESC and ESPC

<table>
<thead>
<tr>
<th>ITEM</th>
<th>UESC</th>
<th>ESPC</th>
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</thead>
<tbody>
<tr>
<td>Authorization &amp; Contract Term</td>
<td>42 USC 8256 is silent on term</td>
<td>42 USC 8287 provides for terms up to 25 Years</td>
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<tr>
<td></td>
<td>AWC = 10 Years</td>
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<tr>
<td></td>
<td>GSA opinion concludes UESC term up to 25 years is appropriate;</td>
<td></td>
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<td>DOD: <strong>10</strong> U.S.C. 2913</td>
<td></td>
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<tr>
<td>Competition</td>
<td>Limited acquisition among serving utilities</td>
<td>ESCO selection from “sweet 16” (Agency down selects 3+ then chooses)</td>
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<td>Bids at subcontract level</td>
<td></td>
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<tr>
<td>Contract Mechanism</td>
<td>Most commonly contracted as an “Energy Management Services Agreement” under a GSA Utilities Areawide Contract with the serving Utility. Also contracted using an Agency/Utility Basic Ordering Agreement Or a standalone contract with the serving utility</td>
<td>Contracted as Task Orders using the U.S. Army or DOE ESPC IDIQ Contract</td>
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<td><strong>Cost Structure</strong></td>
<td>Open Book:</td>
<td>Open Book:</td>
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<tr>
<td></td>
<td>DOE/FEMP project support (typically no fee)</td>
<td>DOE/FEMP fee for contract use/facilitator</td>
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<tr>
<td></td>
<td>Direct Expenses</td>
<td>Direct Expenses</td>
</tr>
<tr>
<td></td>
<td>- Subcontracts Competed</td>
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<tr>
<td></td>
<td>- Engineering</td>
<td>- Engineering</td>
</tr>
<tr>
<td></td>
<td>- Project Management</td>
<td>- Project Management</td>
</tr>
<tr>
<td></td>
<td>- Construction Management</td>
<td>- Construction Management</td>
</tr>
<tr>
<td></td>
<td>- Post-installation costs for term defined in contract (typically 1-3 years: project management, Performance Assurance Plan)</td>
<td>- Post-installation costs for term of the contract (project management, M&amp;V and negotiated role in O&amp;M, Repair &amp; Replacement)</td>
</tr>
<tr>
<td></td>
<td>Indirect Expenses</td>
<td>Indirect Expenses</td>
</tr>
<tr>
<td></td>
<td>- office support</td>
<td>-office support</td>
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<td>- OH&amp;P</td>
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<td>Overhead &amp; Markup</td>
<td>Utility – limited by PUC or Governing Board When used, ESCO partner – shared w/ Utility Subcontractors</td>
<td>ESCO Subcontractors</td>
</tr>
<tr>
<td>Guarantee Level</td>
<td>For projects that are financed, “annual scoring”, OMB requires performance assurances or guaranteed savings (Performance Assurance Plan recommended; some utilities may offer a savings guarantee)</td>
<td>42 USC 8287 requires a savings guarantee</td>
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<td><strong>Interest Rate</strong></td>
<td>Based on Government and utility credit ratings with possible mark-ups/discounts for&lt;br&gt;- Technology Risk&lt;br&gt;- Amount of Loan&lt;br&gt;- Term of Loan&lt;br&gt;- Post-construction risk / Performance Assurance Plan and duration</td>
<td>Based on Government and ESCO credit ratings with possible mark-ups/discounts for&lt;br&gt;- Technology Risk&lt;br&gt;- Amount of Loan&lt;br&gt;- Term of Loan&lt;br&gt;- Post-construction risk / M&amp;V Plan and duration</td>
</tr>
<tr>
<td><strong>Project Team</strong></td>
<td>Agency acquisition team&lt;br&gt;Utility&lt;br&gt;When used, ESCO partner&lt;br&gt;As requested, DOE/FEMP project support&lt;br&gt;Local subcontractors</td>
<td>Agency acquisition team&lt;br&gt;ESCO&lt;br&gt;DOE/FEMP facilitator&lt;br&gt;Local subcontractors</td>
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<td>Time to Project Award</td>
<td>Typically less than 1 and up to 2 Years</td>
<td>Typically less than 18 Months and up to 3 Years</td>
</tr>
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</table>
| Measurement & Verification | OMB requires performance assurances  
Strategy is based on: 
- Technology/Risk 
- Measurement Level 
- Project economics 
Included in Performance Assurance Plan (typically 1-3 years; often training agency to use and optimize ECMS including a recommissioning strategy) | 42 USC 8287 requires M&V for term of loan 
Strategy is based on: 
- Technology/Risk 
- Measurement Level 
- Project economics |
## Alternatively financed projects comparison points between UESC and ESPC

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| **Motivation** | Optimize customer consumption before adding new generation  
Provide customer service  
Generate profit | Additional business line  
Provide customer service  
Generate profit |
| **Resources** | Enabling Documents  
Guide for Contracting Officers  
Training workshops, webinars, direct project support staff, project facilitators  
Website  
FUPWG  
http://energy.gov/eere/femp/utility-energy-service-contracts | ESPC contract  
Extensive tool set  
M&V protocol  
Training workshops, webinars, project facilitators  
Website  
http://energy.gov/eere/femp/energy-savings-performance-contracts |