FEDERAL UTILITY PARTNERSHIP WORKING GROUP SEMINAR

May 18-19, 2016
Cincinnati, OH

eProjectBuilder UESC Case Study:
Department of Veterans Affairs with TECO and ESG

Hosted by:

FEMP
Federal Energy Management Program

DUKE ENERGY

®
Ralph Terrell
TECO Energy
Tampa VA UESC Project Summary
James A. Hayley Veterans’ Hospital

• Located in Tampa, FL adjacent to University of South Florida
• Facilities include a Main Hospital (415 beds), a Nursing Home (118 beds), and multiple clinics
• Most of the larger buildings were constructed in the early 70’s
• 21 buildings were included for a total SQFT of 1,179,916
• This is a teaching hospital with a full range of services including a nursing home and spinal cord injury center
Project Overview

- Tampa VA Hospital UESC awarded in Dec 2015
- 21 ECMs
  - Work included lighting, water, controls, transformers and extensive HVAC work involving chiller plant optimization, chilled water distribution improvements, steam condensate recovery, and redesign of air distribution systems.
- ESG was selected to support TECO Peoples Gas due to long history of mutually developing projects in the Florida region under the UESC contract process
- Subs were selected through scope development and a competitive selection process
- Previous history with subs – both ESGs experience and our customer’s experience – was evaluated as an important selection parameter
Project Overview

• Both the Veterans Administration and TECO had to work together as a team to address unknown work issues involving asbestos and other unexpected encounters.

• A creative solution was agreed on to put a special line item in the Contract that added special estimated funds to establish an asbestos remediation reserve account.
Project Overview

• The reserve account established a firm fixed price basis for each instance where asbestos was encountered. Any unused funding could be used for:

  A. Authorization of a T.O. to Modify additional required work
  B. Partial payment
  C. Partial buy down of the Contract
ePB UESC pilot

• ePB is a web-based system for tracking and entering ESPC data for the life of a contract.
• The initial version was developed primarily for Federal ESPC projects to be used by ESCOs to generate data for analysis, reporting and benchmarking against historical performance.
• The Tampa VA project was a trial use of ePB to see if it could be used for UESC projects.
Utility ePB Experience

- TECO was asked by the VA to pilot a UESC in ePB
- TECO’s Director of Accounting, Rosemary Barbour, normally handles UESC billing and entered our ePB information as submitted by our prime contractor, ESG
- Her primary comment was that at first everything was very confusing as the directions were primarily intended for use by ESCOs to track data for analysis, reporting and benchmarking.
- Hardest part was getting started and understanding who had to do what and why.
- It took a little longer to figure out what was required which caused some “hand wringing” at the VA but once that hurdle was crossed everything was easy.
Brigitte Wilson
Energy Systems Group

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ESCO ePB Experience

Our experience with ePB so far

• Tampa VA Medical Center UESC awarded
• Two projects (ESPC) submitted
• Several projects pending proposal development
• Used both submission formats, ePB calculation, as well as override function
ESCO ePB Experience

ePB Schedules

• Summary Schedule
• Annual Escalation Rates
• Schedule-1 Cost Savings and Payments
• Schedule-2 Implementation Price by Energy Conservation Measure
• Schedule-3 Performance Period Cash Flow
• Schedule-4 First Year Estimated Cost Savings by Energy Conservation Measure
• Schedule-5 Cancellation Ceilings
ESCO ePB Experience

Snapshot of Summary Schedule

<table>
<thead>
<tr>
<th>Role</th>
<th>Institution</th>
<th>Name</th>
<th>Title</th>
<th>Email</th>
<th>Phone</th>
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<tbody>
<tr>
<td>Project Facilitator</td>
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<tr>
<td>Customer (Project Initator)</td>
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<tr>
<td>ESCO (Project Builder)</td>
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<tr>
<td>Finance Specialist</td>
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<tr>
<td>Primary Financier</td>
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<table>
<thead>
<tr>
<th>Project Information</th>
<th>Project Characteristics</th>
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<tbody>
<tr>
<td>Task/Purchase Order #</td>
<td>List of Sites in Project (determined by customer)</td>
</tr>
<tr>
<td>Contract #</td>
<td>Number of Buildings in Project</td>
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<tr>
<td>Project Name</td>
<td>List of Buildings in Project (determined by customer)</td>
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<tr>
<td>Primary Project Location-City</td>
<td>Market Segment</td>
</tr>
<tr>
<td>Primary Project Location-State</td>
<td>Total Base Area Affected by Project (Square Feet)</td>
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<tr>
<td>Primary Project Location-Zipcode</td>
<td>Average Annual Energy Consumption of Affected Buildings (MMBtu/yr)</td>
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<tr>
<td>Agency Name*</td>
<td>Implementation Period (months)*</td>
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<tr>
<td>Sub Agency Name/Region</td>
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<tr>
<td>Project ID#</td>
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<thead>
<tr>
<th>Cost &amp; Financials</th>
<th>Financing Terms</th>
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<tbody>
<tr>
<td>Applicable Financial Index</td>
<td>Total Implementation Price (from Schedule-2 Total)</td>
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<tr>
<td>Contract Term (years)</td>
<td>PLUS Financing Procurement Price—capitalized construction period interest (BP)</td>
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<tr>
<td>Index Rate*</td>
<td>PLUS Financing Procurement Price—other expenses (BP)</td>
</tr>
<tr>
<td>Added Premium (adjusted for tax incentives)*</td>
<td>LESS Implementation Period Payments (from Schedule-1, (BP))</td>
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<tr>
<td>Project Interest Rate (sum of two above inputs)</td>
<td>Total Amount Financed (Principal)</td>
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<td>Financing Issue Date (mm/dd/yyyy)</td>
<td>Performance Bond Amount</td>
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<td>Project Award Date (mm/dd/yyyy)</td>
<td>Start date of Loan (mm/dd/yyyy)*</td>
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<td>Effective Through (mm/dd/yyyy)</td>
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<tr>
<td>Primary Type of Financing (choose from list)</td>
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<td>Secondary Type of Financing (choose from list)</td>
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<td>Project Agreement Type (choose from list)</td>
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<tr>
<td>Payment Timing (Beginning or end of performance year)</td>
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<tr>
<td>Guarantee % of Estimated Savings*</td>
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<table>
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<th>Project Financial Summary</th>
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Federal Utility Partnership Working Group
May 18-19, 2015 Cincinnati, OH
ESCO ePB Experience

What we have learned

• Webinars and Update Emails are informative and helpful
• Excellent support from system administrators
• ePB instructions are clear and easy to follow

Things to be aware of

• Escalation rates
• Guarantee savings %
• Implementation Period Payment
• Project Implementation Markup %
UESC ePB Case Study

• First VA UESC awarded with full Task Order financials used
• eProjectBuilder was used and accepted by VA
Benefits of using ePB for UESCs

1. Standardization
   - No current standardization across contracts, agencies or utilities
     • Format varies across contracts
     • Data varies across contracts
     • Lack of consistency is more challenging for agency assessment
   - With the T.O. schedule format driven by ePB, agencies now have consistent financial information across UESC projects in a standardized format
   - Lenders may also benefit from standardized financials
Benefits of using ePB for UESCs

2. Evaluation

– In accordance with FEMP guidance, M&V and other performance period services should not be financed as these costs are not incurred until the year in which the payment is due

  • T.O. schedule format revealed that some utilities were financing these expenses, leading to unnecessary financing costs for the government

  • Performance period expenses perhaps newer to UESCs since performance assurance became required, but important for agencies to guide utilities on the financing structure to avoid thousands of dollars of unnecessary interest expense
Benefits of using ePB for UESCs

3. Tracking

– VA hopes ePB will become a tracking mechanism for all its ESPC and UESC activity in the future
  • Financial schedules
  • Benchmarking
  • M&V module data capture
Agency ePB Experience

• T.O. schedules present a learning curve for utilities
  – Interpreting the terminology and converting it to UESC relevance
  – e.g. markup on T.O. 2 when a utility has an ESCO subcontractor

• VA had to remove “guarantee” language specific to ESPCs from the footnotes of each schedule and a column from the table on T.O. 1

• VA’s modified template is more acceptable to utilities, but it is NOT compatible with ePB
  – ePB can only receive uploaded data from its unmodified templates
Recommendations

• Standardization is key for UESC project financials and performance assurance to ensure better transparency and outcomes
  – Also simplifies input into ePB

• FEMP and LBNL should continue developing a UESC-specific module for ePB
  – Agencies and utilities can provide feedback
Questions?

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