

FEDERAL UTILITY PARTNERSHIP WORKING GROUP SEMINAR

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UESC Best Practices

Understanding UESC Cost Proposals

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Hosted by:



UESC Proposal Elements

What is the Goal (Utility Perspective)?

Provide enough information to help Contracting Officer determine price reasonableness

Pricing Components

- Direct Project Costs
 - Subcontractor Costs (typically get lump sum)
 - Internal labor (engineering, project management)
 - Working capital during construction
(Interest during construction)
- Indirect Project Costs
 - Overhead
 - Profit

Examples

Subtotal – External Subcontractor Costs **\$10,000,000**

Internal Direct Costs	Hours	Rate	Subtotal
Senior Engineer	800	\$125	\$100,000
Junior Engineer	1200	\$75	\$90,000
Technical Support	1000	\$35	\$35,000
Project Management	2000	\$75	\$150,000
QC/QA	500	\$75	\$37,500
Expenses	210	100	\$0.54

Subtotal - Internal Direct Project Cost \$423,840

Subtotal - Direct Project Cost \$10,423,840

Overhead 10% \$1,042,384

Profit 5% \$521,192

Total Project Price (excluding financing) **\$11,987,416**

Utility – Be prepared to share price buildup

Methodology – Utility Hires ESCO

Area	Contractor Quotes		
	ESCO 1	ESCO 2	ESCO 3
Experience	Good	High	Nominal
Local Presence	High	Good	High
Mark-Up	10%	10%	0%
Overhead	10%	15%	5%
Profit	15%	10%	10%
Engineering fees?			
Project management fees?			
Bond fees?			

Utility selection of ESCO 2 is based on experience & most economical price

Utility – Ask for key elements of pricing during RFQ process

Methodology – Utility Hires Subs

Description	Contractor Quotes		
	Sub 1	Sub 2	Sub 3
Building 1	\$213,369	\$188,568	\$195,760
Building 2	\$118,348	\$120,851	\$107,434
Building 3	\$164,230	\$142,446	\$164,922
Building 4	\$173,168	\$133,629	\$178,868
Building 5	\$171,256	\$124,661	\$171,760
Building 6	\$1,071,256	\$1,243,983	\$1,237,899
Total Contract Price	\$1,911,627	\$1,954,137	\$2,056,644
Mark-Up	5%	7%	0%
Overhead	10%	8%	5%
Profit	15%	5%	10%

Utility selection of Sub 1 is based on experience & most economical price, or in some cases Sub 1/Building 6, Sub 2/Building 1,3-5, and Sub 3/Building 2

Government – ask about selection information
DON'T try to negotiate chosen contractor down

Example – Subcontractor Selection

Pricing Description	Sub 1	Sub 2	Sub 3	Sub 4	Sub 5
Engineering	54,977	10,929	34,673	23,970	20,388
Solar Panels Material Only	897,367	942,661	933,392	936,694	965,424
Racking System Material Only	243,477	260,053	273,222	256,474	266,785
Inverters Material Only	141,899	172,138	145,626	125,633	159,372
Installation of Solar Panels/Racking/Site Prep	183,345	68,309	124,822	143,388	144,460
Installation of wiring of inverters	185,965	21,226	97,084	117,068	111,933
All AC Electrical Work	153,960	126,371	34,673	295,639	167,900
Transformer, pad, interconnection, etc	63,345	39,619	86,412	43,818	62,910
Supply and Install of Monitoring System	27,895	40,985	13,869	12,568	17,475
Extended Warranty	56,273	61,478	47,970	63,784	62,071
MISC Site Improvements	16,669	27,324	27,738	52,129	20,271
Start-Up and Commissioning	3,394	13,662	20,804	9,793	7,573
Sales Tax	95,124	105,424	84,815	INCLUDED	106,037
Total	2,123,690	1,890,179	1,925,100	2,080,957	2,112,598
Overhead	10% Labor/4% Material	3%	2.5%	3.50%	5%
Profit	10% Labor/& 5% Material	6%	10%	6.75%	9%
P&P Bond	1.20%	3%	1.2%	0.72%	2.5%

Utility – Ask for key elements of pricing during RFP process
Perform a true bid evaluation looking for discrepancies

Examples - Continued

Pricing Description

	Sub 3
Engineering	34,673
Solar Panels Material Only	933,392
Racking System Material Only	273,222
Inverters Material Only	145,626
Installation of Solar Panels/Racking/Site Prep	124,822
Installation of wiring of inverters	97,084
All AC Electrical Work	34,673
Transformer, pad, interconnection, etc	86,412
Supply and Install of Monitoring System	13,869
Start-Up and Commissioning	20,804
Total	1,925,100
Overhead	2.5%
Profit	10%
P&P Bond	1.2%

Utility – Share statement of work and key assumptions prior to finalizing pricing

Then we are asked:

- Cost of meter per meter
- Cost of small sub components
- Sub profit too high
- Service Act vs Davis Bacon
- Buy American Act
- No Foreign Head Quarter Companies even if made in America
- Additional FAR clauses
- Will Utility need bonds in its own name or 1st tier only subs
- All labor after hours & weekend only

**Government – Price is dependent on Utility assumptions
Asking for items like above can impact the price**

Financing Proposals

Term	Payment	Bank 1	Bank 2	Bank 3	Bank 4
15 Years	Annual	2.75	2.85	2.75	2.78
15 Years	Quarterly	2.75	2.8	2.7	2.76
10 Years	Annual	2.65	2.7	2.65	2.66
10 Years	Quarterly	2.5	2.65	2.6	2.52
Basis Points Added (for each)		110	125	115	112
Termination fee		3	2	2.5	1.5
Treasury bill (which one)		Bank identifies Tbill for future changes			

Note:

- Bank needs a copy of draft contract to provide realistic rate (scope, price, terms, performance plan, construction period)
- Assumption of utility bank draw during construction
 - 90/10, monthly, etc. – may be driven by PUC & policy
 - Acceptance of ECMs (staged) during longer construction
 - Payments during construction from construction savings

All – need decent draft documents to get anything but an indication rate (leave at least 2 weeks for RFP)