

Ensuring Program and Project Integrity in Performance Contracting

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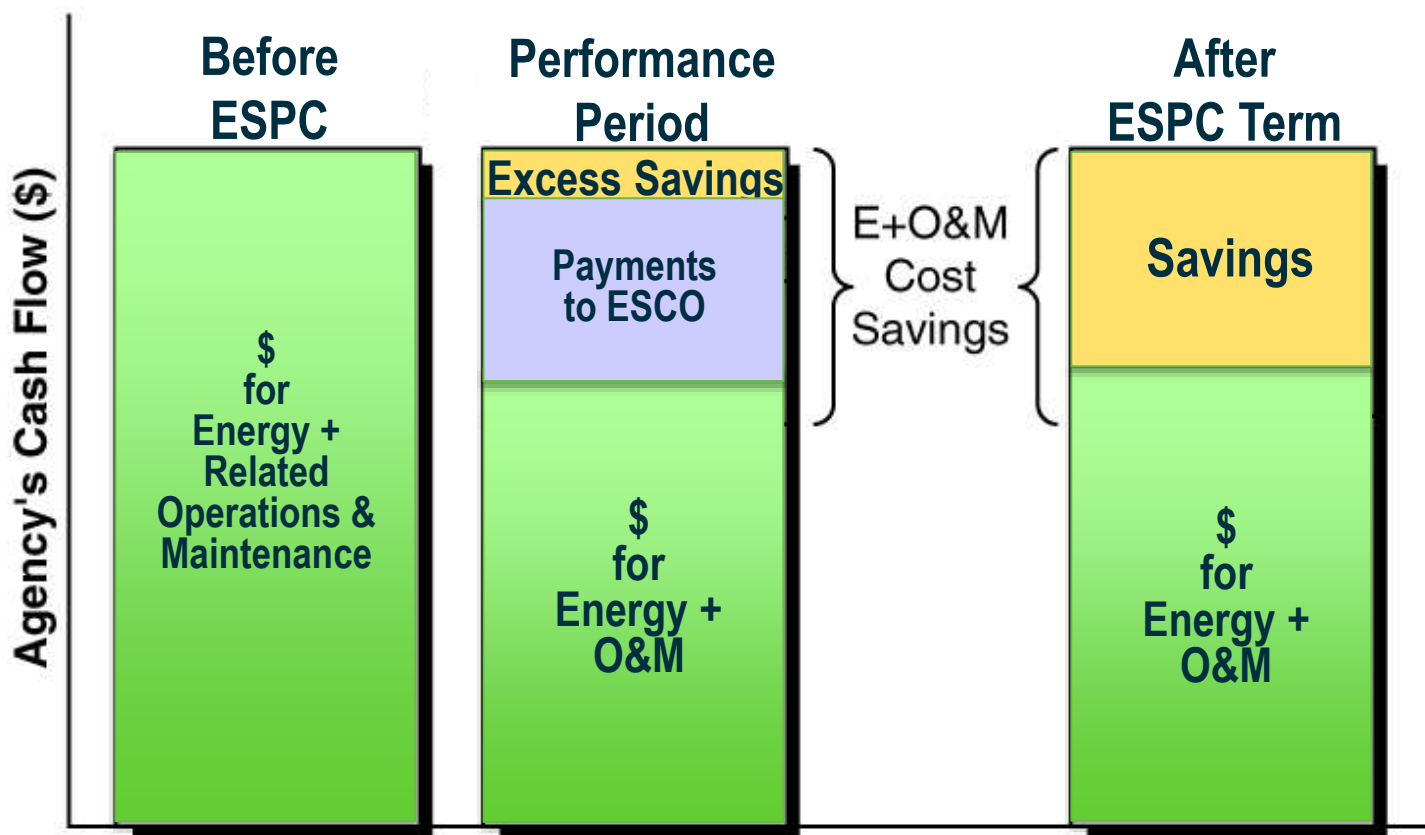
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ESPC 101: the cost stack

Reallocate the Government's Utility Bill:

- ◆ Stop paying for waste and pollution ◆ Start paying for efficiency ◆



ESPC Philosophy 401: the true nature of ESPCs



- A transfer of trust
- Spending taxpayer funds a bit differently
- Utility and O&M funds converted to Capital Projects

What is expected in this transfer of trust

- Real savings that will cover project costs
- M&V to prove savings are sustained through the performance period
- Alignment with authority restrictions on what is permissible in a project



Savings Determination

The foundation is built in the project development process

- Savings calculations
- Measurement and verification plan
- Rate escalation
- O&M savings



Savings Determination

Providing evidence that savings are sustained through the period of performance

- Witnessing
- M&V review
- Ensure agency performs any retained O&M responsibilities
- Resolve issues (e.g. do partial terminations for buildings taken out of service)



What can be addressed

- For the U.S. government: all facility based projects that reduce energy or energy related costs
- Be creative in drawing the box; much untapped potential if the full extent of most authorities were tapped



ESPC Integrity: getting the most from M&V

- M&V as a collaborative process to optimize building performance
- **M&V Version 4.0 from FEMP**
 - Detailed approach for baseline measurement and M&V for top ECMs
 - Clear identification of agency impact on savings
 - Confirmation of agency engagement/witnessing



ESPC Integrity: the role of the project facilitator

- Combined technical, contracting, and process expertise
- A required member of the team on federal projects
- Approved by FEMP, listed on website, engaged in continuing QA discussions
- PF services paid upfront or through the project



ESPC Standardization

Creating a standard way of doing an ESPC creates an industry with standard expectations and expedited review/development

- Terminology
- Project cash-flow pro forma
- Energy conservation measure descriptions
- Contract documents
- eProject Builder



ESPC Integrity: the role of eProject Builder

- Standardization of key contract calculations/schedules
- Access for agency portfolio analysis
- Potential for benchmarking for program evaluation
- Training and support is available for this free resource
- Adoption of ePB in the NAESCO accreditation and FEMP Qualified ESCO list processes



ESCO and Owner Accountability

- Who does what
- Warranty and ongoing support/services
- Savings shortfalls



Importance of setting goals



- **Overall goal for the U.S. Government, set by the President and reinforced by the Office of Management and Budget, Council on Environmental Quality, and DOE's Federal Energy Management Program**
- **Each agency made its own goal commitment toward the total**
- **Goal was translated into key process milestones to ensure projects would get to award by the December 31, 2016 deadline**