Performance Contracting Paths For New Mexico 2012
Performance Contracting

Performance Contracting is a **Procurement Tool** that enables you to use **Future Cost Avoidance** to pay for the up front costs of **Energy Efficiency Measures** thru a "**Guaranteed**" savings program.

Sample Facility Costs

**Before PC**
- Energy: 25%
- Maintenance: 75%

**After PC**
- Energy: 15%
- Cost Avoidance: 35%
- Maintenance: 50%
Sample Facility Costs

- 25% Energy
- 75% O&M

Before PC

Business as usual

- Inefficient Building Issues
  - Lighting
  - Water
  - HVAC
- Aging Equipment
  - Emergency funding needed for repairs & Deferred Maintenance.
  - Spare parts expensive
- Budget Funds reducing
- Costs going up
  - Maintenance cost increasing
  - Spare parts cost increasing
  - Energy cost going up.
Performance Contracting

Sample Facility Costs

- 15% Energy
- 35% Cost Avoidance
- 50% O & M

- Replace the old Equipment
- Put Cost Avoidance in place
  - Building Automation
  - High efficiency HVAC
  - High efficiency Lighting
  - Increase building envelope efficiencies.
  - Water conservation
  - Renewable Energies
- Reduce Maintenance
- Increase Comfort levels

Carve out a “Cost Avoidance” piece of the pie.

After PC
1. Provide a “Self-Funded” solution for an Energy and operational savings Project.
   – The “Cost Avoidance “ dollars will actually “PAY” for the Project.

2. Provides additional funding to “Leverage” the energy project.
   – The “Cost Avoidance” dollars, “Leveraging ” the budget dollars present to increase the Project Scope.
   – The Scope can be increased on the project with the additional “Cost Avoidance” dollars.

Both Options provide a Guaranteed Solution.
ESCO - Energy Services Company

An ESCO is a commercial business that provides and arranges financing for a broad range of comprehensive energy and operational savings solutions, including energy audits, design, and implementation, training, commissioning, measurement and verification.
**Example**

**Actual Project:** Self-Funded Project w/ Positive Cash flow

- Project “Cost Avoidance” (12 year term)
- 12 year Total Cost $7,611,026
- 12 year Total Savings $8,011,190
- Positive $400,164 Actual Cash Flow over life of the project

[Bar graph showing total costs and savings over 12 years.]
Performance Contract Guarantee

Definitive Scope of Work

Definitive Cost Avoidance

Definitive Term

* Guaranteed work to be done.
* Guaranteed Cost Avoidance and Open Book Pricing
* Guaranteed payback time period
Performance Contract History in NM.

- 1993: PC Enabling Legislation Passed in NM.
- 2004: PC Projects Completed Thru 2004
- 2009: House Bill 603 July 2009 PC Legislation
- 2011: Sep 2011 PC Path Set for NM
- 2012: Establish PC Pilot Programs
Performance Contracting Paths For New Mexico 2012

Oversight and guidance is provided by The New Mexico Energy Minerals and Natural Resources Dept. (EMNRD)

Selection of ESCO → Audit the Facility → Finance The Project → Implement ECM’s → Verify the savings

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Step 1 - Selection of ESCO

Overview

Agency contacts EMNRD

Agency gathers data on the facilities to Support RFP Process

Enter Data in Energy Star Portfolio Manager to reference in the RFP

Issue RFP for Investment Grade Audit & Project Proposal to ESCO’s

Provide Walk thru and opportunity for questions for the ESCO’s

Building Age And History

Building Sq. Footage

Building Utilities Data for 12 months

Building Address Or Location

Building Issues Asbestos, Etc..

Agency Selects short List of ESCO’s for final Interviews

Agency Selects ESCO

EMNRD Approves ESCO

Agency Awards Contract
Step 1-Selection of ESCO

An “Agency” is a School, Higher Ed, Municipality, County or State agency.

The start point is for the Agency to contact EMNRD.

NM Energy Minerals and Natural Resources Department. (EMNRD)
EMNRD is available to assist the agency with developing a Request for Proposal (RFP) to ESCO’s thru a bidding process.

- EMNRD has sample RFP documents to use.

The Agency will need to compile the following info for the RFP Document:
- Building age and history with environmental issues (Asbestos, etc.)
- Square footage of each building on the RFP.
- At least 12 months of utility data for each building.
- Building name, locations and addresses.
Step 1 - Selection of ESCO

- The Agency will Request Bid responses from ESCO’s for the RFP.
- The Agency will provide a Pre Bid Walk thru for the ESCO’s to walk the site(s) and ask questions.
The Agency Selects the ESCO through Agency procurement
EMNRD Certifies the ESCO.
  • The ESCO is a Qualified Provider for this project only.
The Contract is awarded to the ESCO only After EMNRD Approval.
EMNRD will provide a Model IGA Contract to Agency

ESCO Provides the IGA with Project Proposal. **NOTE:** Agency must have funding for IGA Costs

EMNRD Reviews and certifies the completed IGA and Project Proposal from the ESCO.

Upon Approval From EMNRD the Project Proposal then moves to the Agency for approvals.

Process for Schools

Process for Municipalities Counties, High Ed and State

Financing by ESCO provided thru a competitive process

Utility Cost savings must meet or exceed cost of the project

Path A Path B
Step 2-Audit the Facility

- EMNRD will Provide a Sample Investment Grade Audit (IGA) Document for the Agency to submit to the ESCO.
- The Agency must have funding for the IGA cost in the event that they decide not to move forward with the project. (DON’T WORRY!)
- The ESCO will provide the Audit per the IGA Document.
- The ESCO will Identify & list ECMs (Energy Conservation Measures)
- EMNRD will oversee the competitive financing process for the Final Proposal that will be turned in with the IGA.
Step 2-Audit the Facility

- The ESCO Completes the Investment Grade Audit which includes:
  - A “shovel ready” Project Proposal
    - Financing
    - Guaranteed terms
    - Guaranteed Scope

- The EMNRD Reviews and approves the proposal
Step 2 - Audit the Facility

- The Path after EMNRD Approval.
  - Determined by Agency
Step 3 - Finance the Project

Path A - Approvals for Schools

Superintendent and School Board gives approvals

Next the proposal is sent to Public Education Department (PED) for approval

Next the project has to be submitted to the Legislative Finance Committee for budget hearings prior to the next legislative session.

Next the Legislative Finance Committee will review and Approve the Contract

The Annual Performance Contract amount will be removed from the School’s SEG (School Equalization Guarantee) Account and placed into a “Public School Utility Conservation Fund” to fund the Performance Contract with.

Once this Special Fund has been set up and funded, the Implementation can begin.
Step 3- Finance the Project

Path A – Approvals for Schools

Superintendent and School Board gives approvals

Next the proposal is sent to Public Education Department (PED) for approval

Next the project has to be submitted to the Legislative Finance Committee for budget hearings prior to the next legislative session.

Must be approved and on the Agenda before the LFC Meets or is held off until next year.
Next the Legislative Finance Committee will review and Approve the Contract.

The Annual Performance Contract amount will be removed from the School’s SEG (School Equalization Guarantee) Account and placed into a “Public School Utility Conservation Fund” to fund the Performance Contract with.

Section 6-23-7 State Statutes NMSA 1978

Once this Special Fund has been set up and funded, the Implementation can begin.
The Contract is presented for approvals of the Governing Council, Commission or agency head.

Once the Governing Council or Commission has approved the contract a Special Fund is set up for the sole purpose of paying the Performance Contract Costs.

Once this Special Fund has been set up and funded, the Implementation can begin.

Special Fund Appropriated from Operating Budget to Pay for the Performance Contract.
Step 4- Implement the Project

The Performance Period for the Contracts begins at customer approval and sign off of project completion.

The Project does not have change orders unless there are changes that the customer requires.

The Project with All Energy Conservation Measures (ECMs) is ready to start Implementation.

The ESCO is responsible for Managing the Project. Providing Training, Ensuring the Design and development of the project.
Step 5- Verify the savings

The Project must have a Measurement and Verification (M&V) program to track and verify the savings of the performance Guarantee.

The ESCO can also be responsible for O&M if required for the project.
Clean Energy Performance Financing

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Public Facility Energy Efficiency and Water Conservation Act [Sections 6-23-1 to -10 NMSA 1978]
Guidelines for Guaranteed Energy Efficiency Projects
Questionnaire for ESCO References
ESCO Qualifications Form
Energy Efficiency Standards for Public Buildings
Joint Powers Agreement Template (EMNRD and Higher Education Institution)
Model Financing RFP for Issuance by Contractor
Model RFP for Issuance by Agency
Model Guaranteed Utility Savings Contract
Model Attachment for Guaranteed Utility Savings Contract
Energy Performance Contracting for Schools

For Information on Performance Contracting, Go to:
HTTP://www.CleanEnergyNM.org
Select Link: Clean Energy Performance Financing
Questions???