



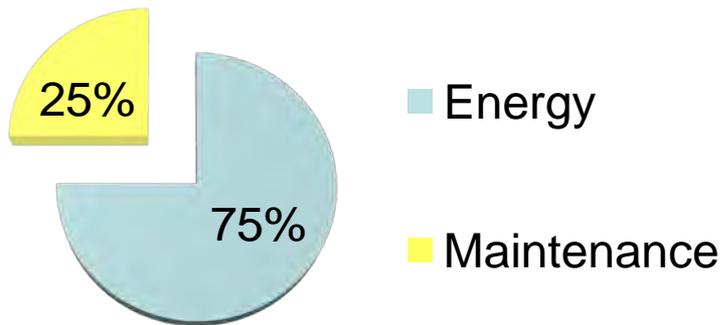
Performance Contracting Paths For New Mexico 2012



Performance Contracting

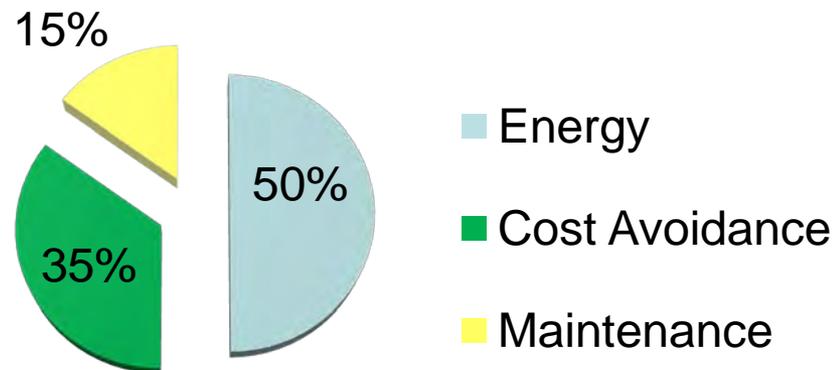
Performance Contracting is a Procurement Tool that enables you to use Future Cost Avoidance to Pay for the up front costs of **Energy Efficiency Measures** thru a “Guaranteed” savings program.

Sample Facility Costs



Before PC

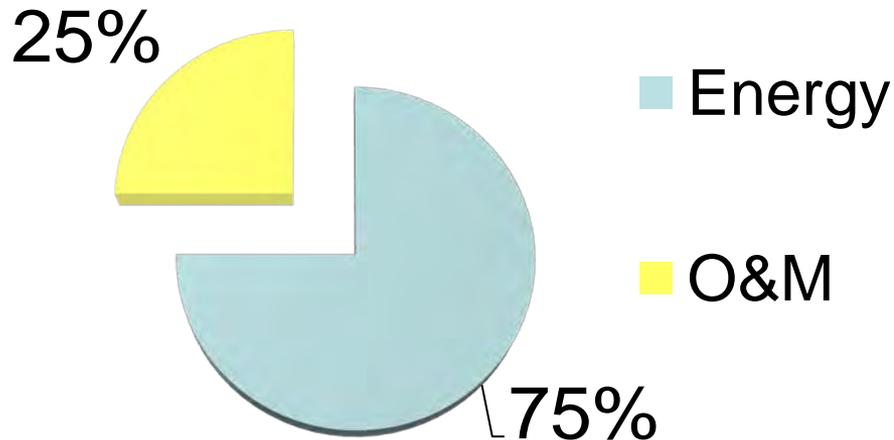
Sample Facility Costs



After PC

Performance Contracting

Sample Facility Costs



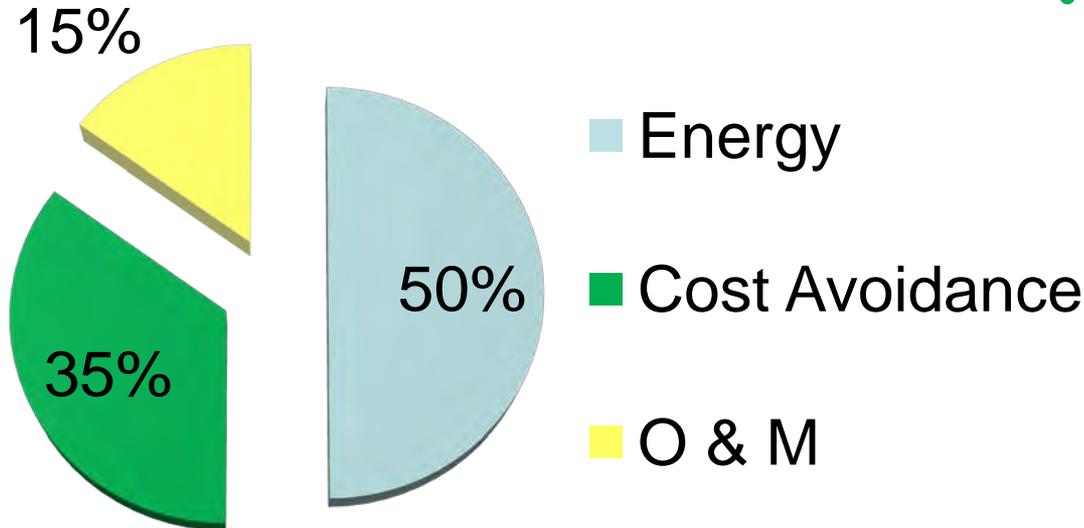
Before PC

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



- 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

After PC

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

Performance Contracting Solutions

1. Provide a “Self-Funded” solution for an Energy and operational savings Project.

- The “Cost Avoidance “ dollars will actually “PAY” for the Project.

OR

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.**



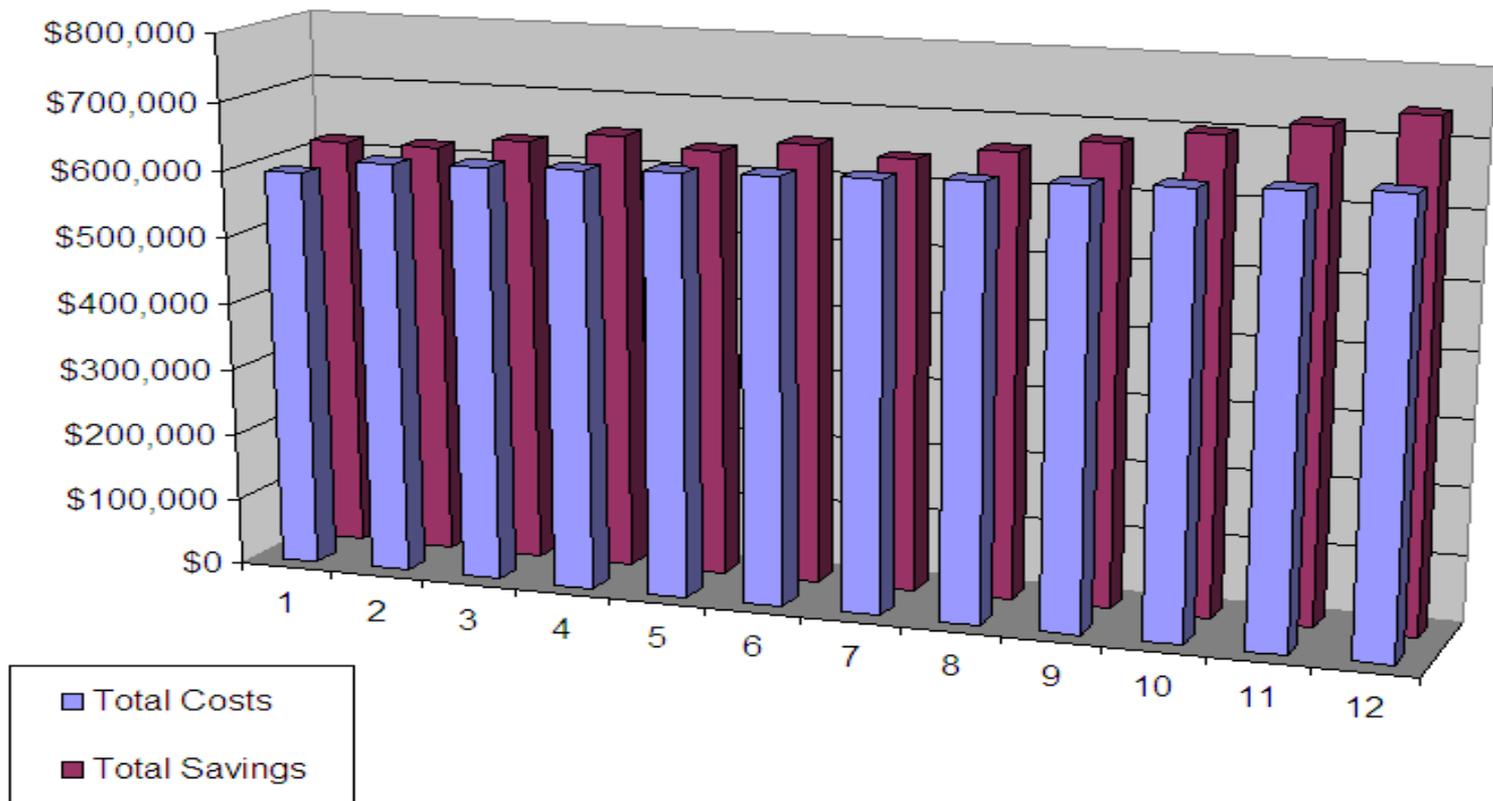
Who Provides Performance Contracting?

- **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



Performance Contract Guarantee

**Definitive
Scope of
Work**

**Definitive
Cost
Avoidance**

**Definitive
Term**

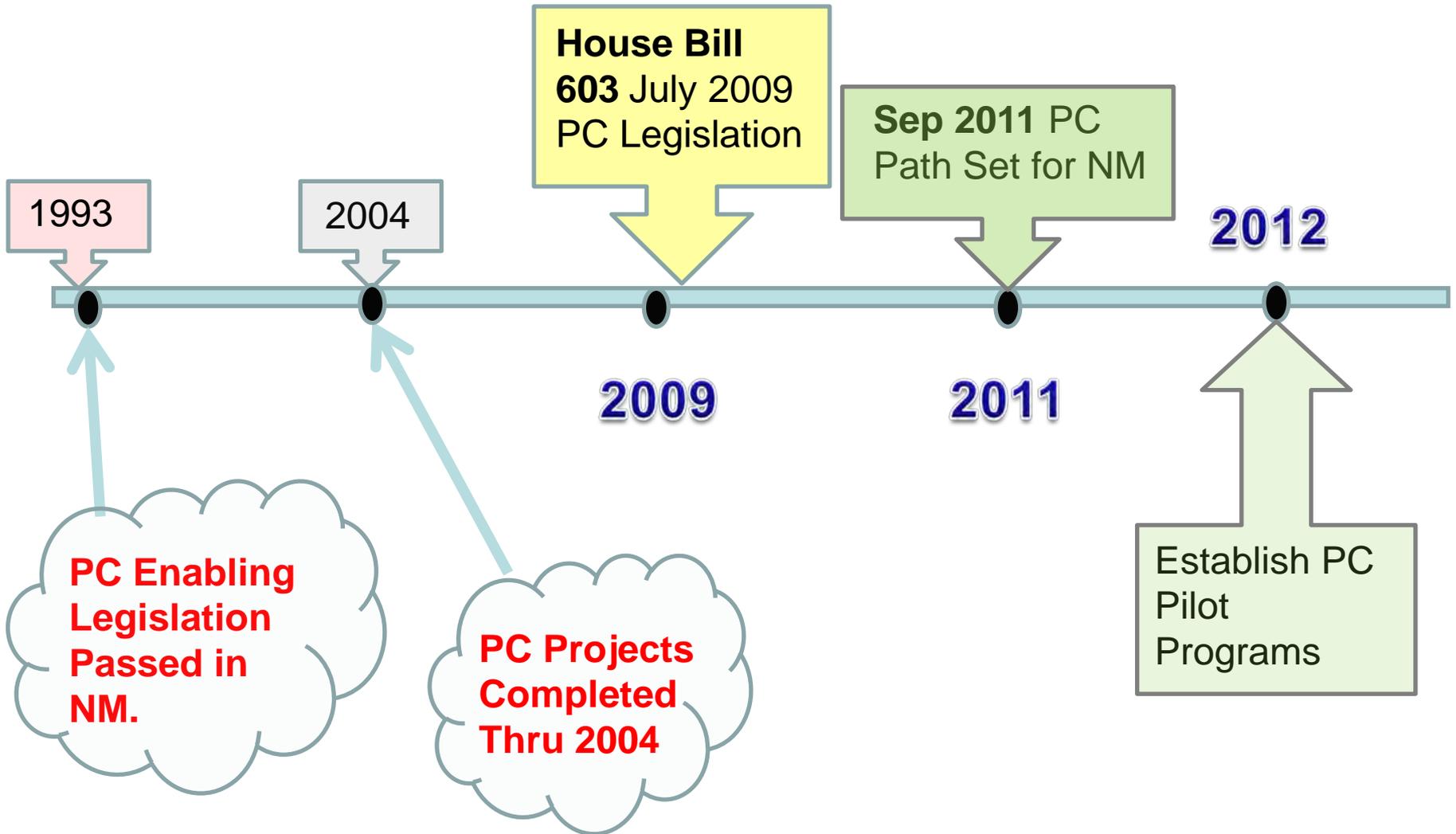
* Guaranteed work
to be done.

No Change Orders

* Guaranteed
Cost Avoidance and
Open Book Pricing

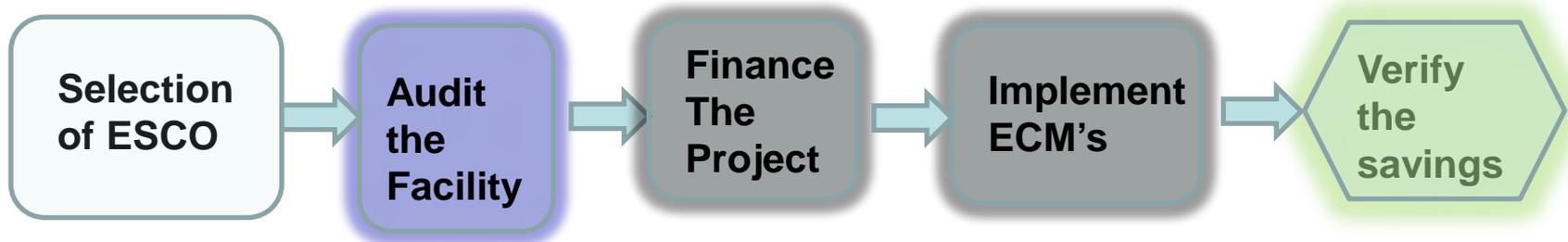
* Guaranteed payback
time period

Performance Contract History in NM.



Performance Contracting Paths For New Mexico 2012

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

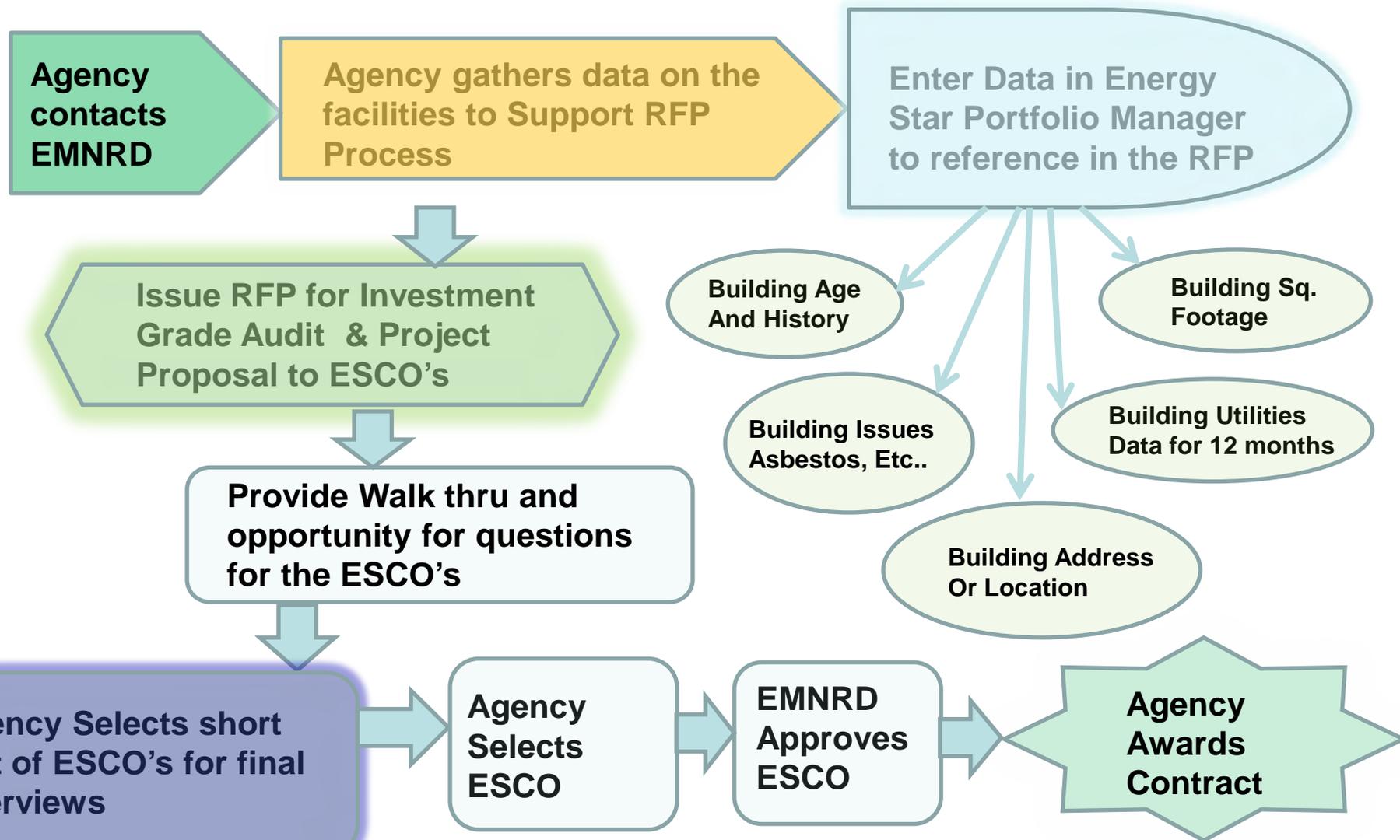


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Step 1-Selection of ESCO

Overview



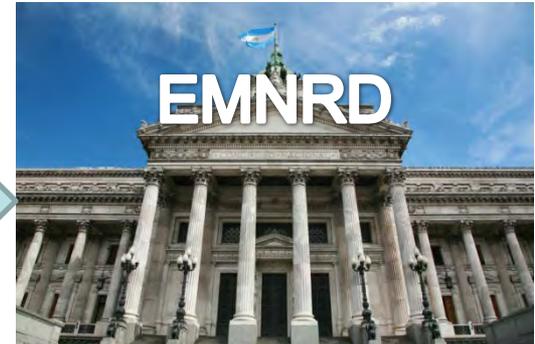
Step 1-Selection of ESCO



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)



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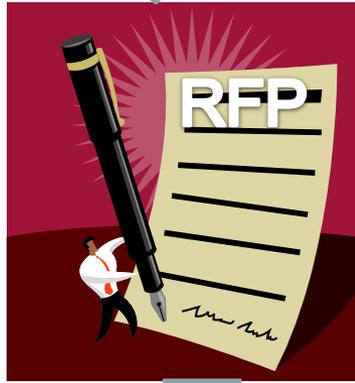
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Step 1-Selection of ESCO



- **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.**

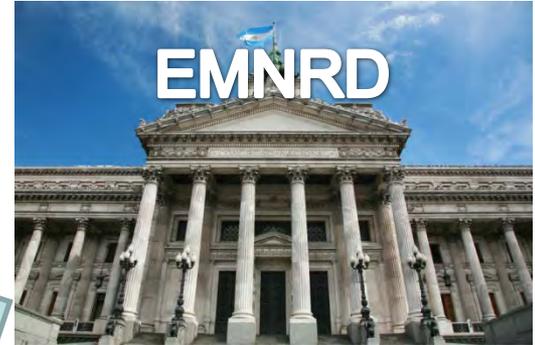
Step 1-Selection of ESCO



ESCO Companies

- 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.

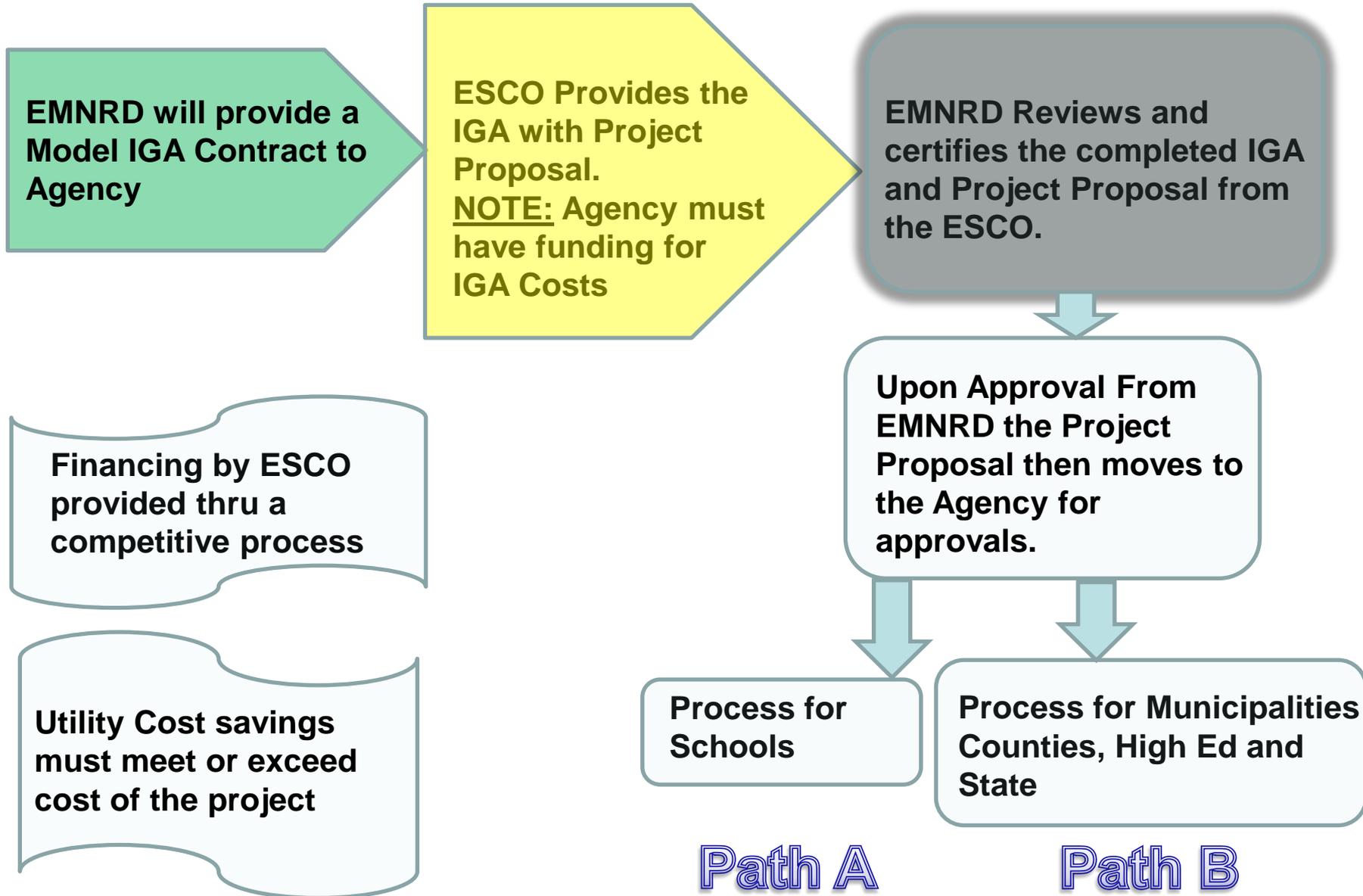
Step 1-Selection of ESCO



Selected ESCO

- 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.

Step 2-Audit the Facility Overview



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

ESCO



■ 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

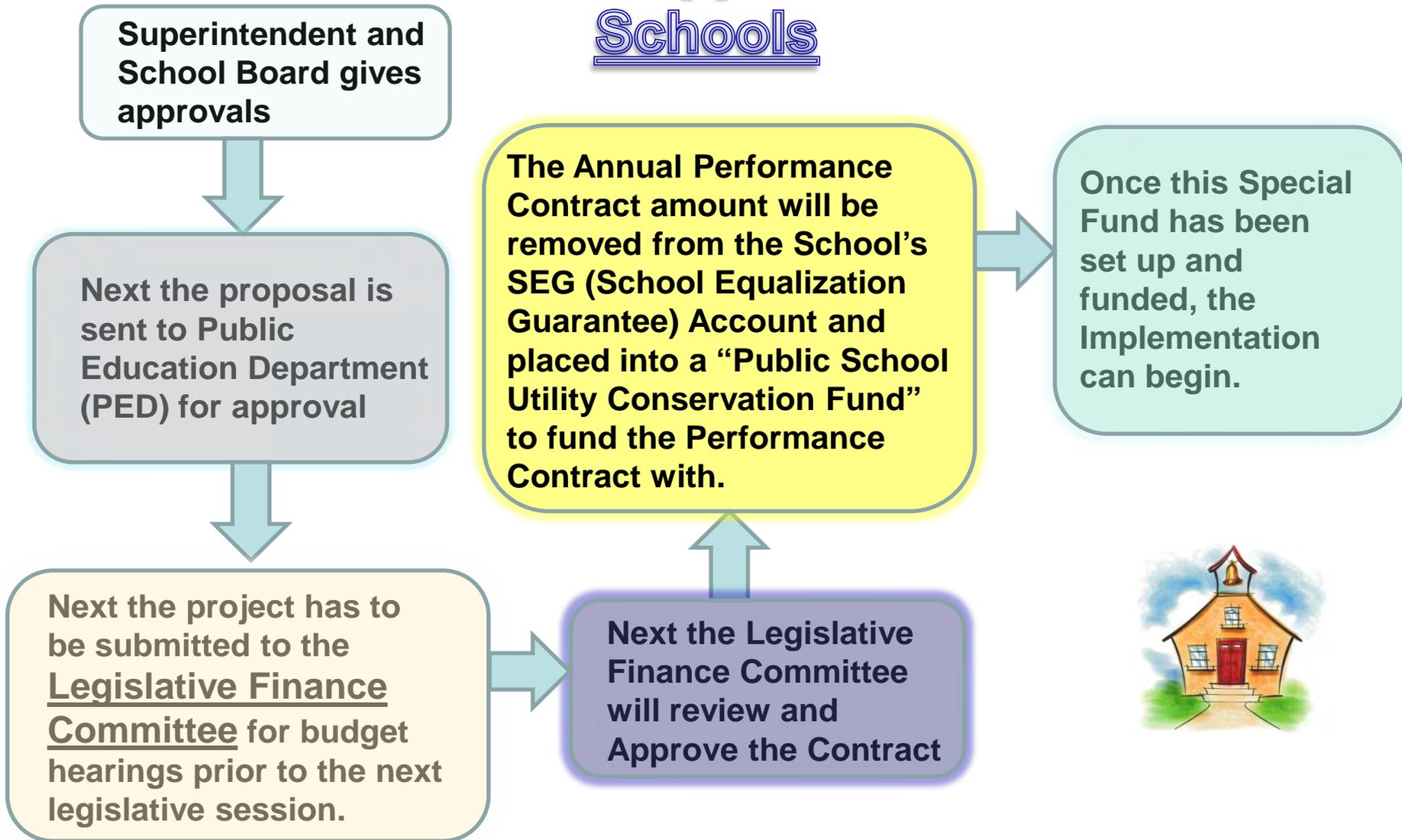


Path
A

Path
B

Step 3- Finance the Project

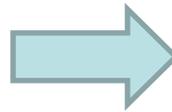
Path A – Approvals for Schools



Step 3- Finance the Project

Path A – Approvals for Schools

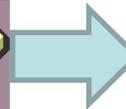
Superintendent and School Board gives approvals



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



Must be approved and on the Agenda before the LFC Meets or is held off until next year.



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



Step 3- Finance the Project

Path A – Approvals for Schools

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

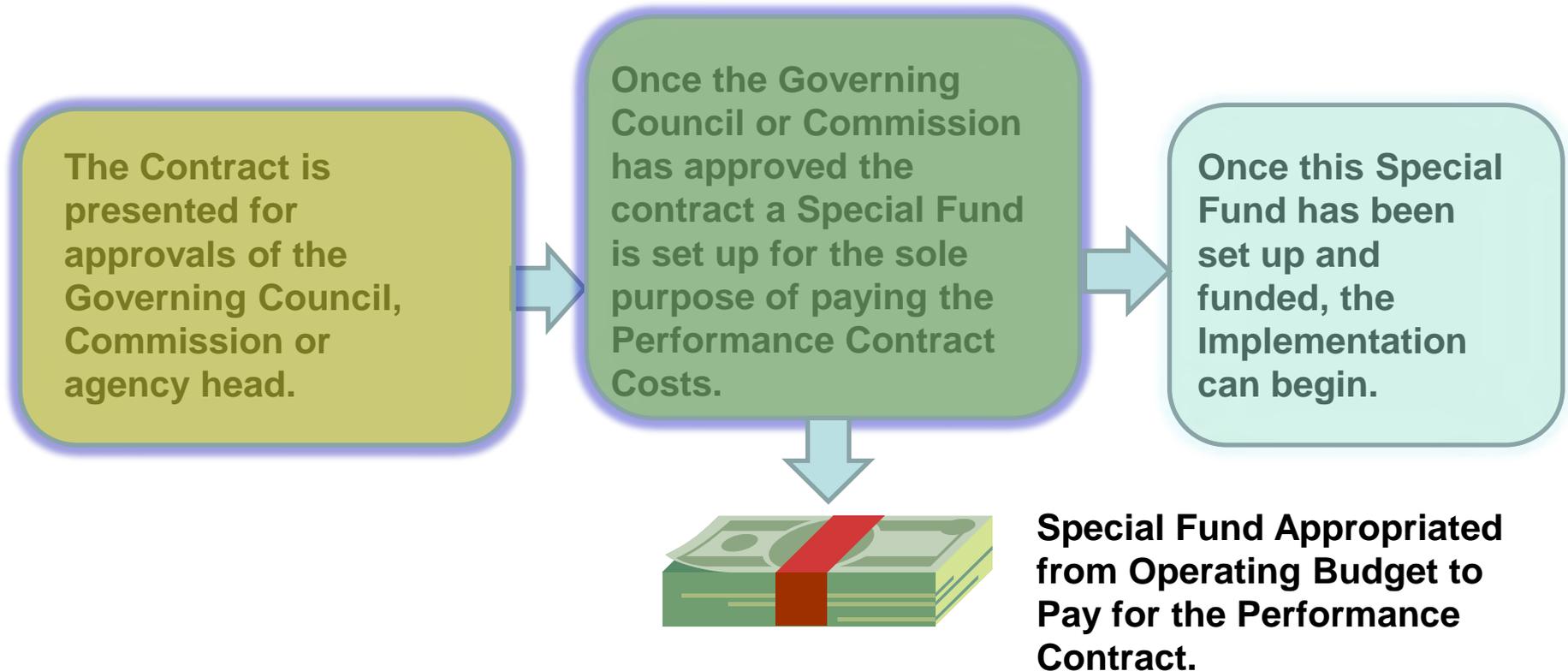


Public School Utility
Conservation Fund
**Pays for the
Performance Contract**

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

Step 3- Finance the Project

Path B- Approvals for Municipalities ,
Counties and State Agencies &
Higher Ed.



Step 4- Implement the Project

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

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.

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.



<http://www.emnrd.state.nm.us/ECMD/CleanEnergyPerformanceFinancing/CleanEnergyPerformanceFinancing.htm>

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NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
ENERGY CONSERVATION AND MANAGEMENT DIVISION

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Clean Energy Performance Financing

STATE ENERGY PERFORMANCE CONTRACTING

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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](http://www.CleanEnergyNM.org)

Select Link: [Clean Energy Performance Financing](#)

Questions???