



Performance Contracting

“A Risk Management View”

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Energy Savings Performance Contract.

“Guaranteed energy cost savings contract” means a contract for the implementation of one (1) or more energy cost savings measures and services provided by qualified energy service companies in which the energy and cost savings achieved by the installed energy project cover all project costs, including financing, over a specified contract term.

Energy Conservation Measures (ECM's)

Electricity, gas, coal, fuel oil,
water, or any energy cost.

ECM's

- Repair projects, like fixing leaky windows, leaky steam traps, or broken equipment.
- Enhancement projects, such as more sophisticated heating and air conditioning equipment that work better and save energy.
- Lighting retrofits or enhancements, new technologies in building lighting can do a great job in saving energy.
- Building Automation Controls, occupancy sensors

Why do an ESPC project?

- Do Not Have the Budget
- What if you do have the money?
- You Keep the Savings
- Sustainable

Procurement:

- SOQ Energy Services Company (ESCO)
- Consultant
- RFP
- Evaluation Process
- Investment Grade Audit
- Savings and Cash Flow
- Measurement and Verification

Construction Risk:

Develop good engineering drawings and specifications

Competitive Bidding

IDIQ

Guaranteed Maximum Price

Scheduling

Communications

Quality Control

Energy Engineering Risk:

- Methods of Determining Savings

- Stipulated – Measured – Billing/Metered – Modeled

- Savings Contingency

- Discounted Savings – Baseline Modifications

- M & V Plan

- Understand Limitations and Ability to Execute the Plan
- Balance Cost for M&V vs. Risk of Savings Shortfall
- Conversion Provisions

Financial Risk:

- Cost of Financing

- Cash - Capital Lease – Bonds – 3rd party - Other

- Commodity Cost Changes

- Zero Based, Variable, or Fixed Budgeting
- Included or Excluded from Cash Flow

- Utility Escalation

- Locks in Budget Requirements
- Potential Additional Capital into Project
- Potential Hedge against Savings Decay / Snap Back

Operations & Maintenance Risk:

- “Snap Back” – Loss of Savings Over Time
 - Behavioral Elements - Wear and Tear – Technology Changes
- Preventative Maintenance / Planned Renewal
 - Necessary to maintain performance – “raising the bar”
 - Staffing/Training Opportunities
- Energy Policy - need a broad campus commitment to change past campus practices and resolve potential academic issues
- Specific Ongoing Oversight – necessary to protect the investment, maintain behaviors, and enforce policies

Questions

