



## **Marshall County Fiscal Court**

# **Energy Saving Performance Contracting**

**June 20, 2017**



COME TO RELAX • STAY TO EXPLORE

# What is Energy Savings Performance Contracting?

## Energy Savings Performance Contracting Pursuant to KRS 45A.352

A procurement method that allows the County to make infrastructure improvements that result in “guaranteed” utility savings covered by part or all of the project costs.

- *Financial benefits may include energy and operational savings generated from the various facility improvements implemented*
- *Selection of systems based on efficiency and life cycle savings, not the cheapest bid*
- *Improvements to be paid for by savings over a selected term*
- *Energy savings are guaranteed financially by ESCo (Energy Services Company)*

# Enabling Legislation

Follows Model Procurement Code:

- KRS 45A.352 - GESC for public agencies
- KRS 45A.353 - Exempt from debt limitations
- KRS 45A.345 - Definitions for GESC process
- KRS 58.600 - Financing projects
- KRS 58.605 - Procedure for Energy Conservation Revenue Bonds
- KRS 65.940 - Definitions

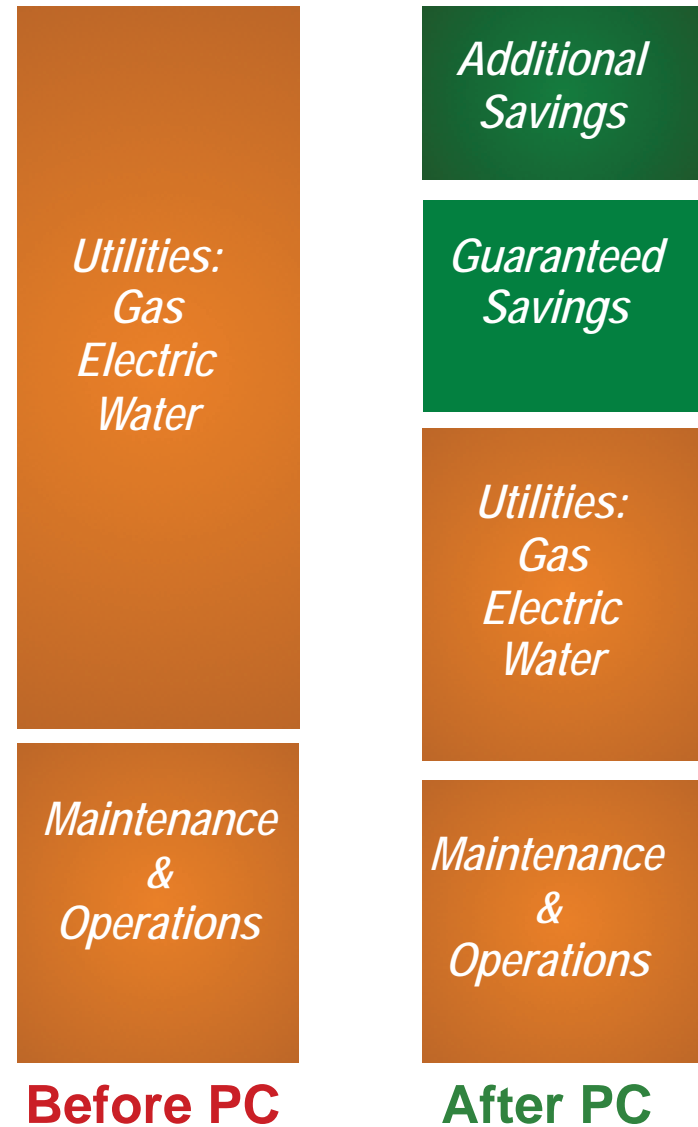
# Performance Contracting

- Reduce energy usage
- Reduce water usage
- Reduce operating and maintenance costs
- Reduce emissions
- Reduce waste



Performance Contracting allows you to leverage these *guaranteed savings* to pay for building improvements.

*Energy & Operating Expenses*





# Performance Contracting

## *Benefits of ESPC vs. Plan and Spec or self-perform?*

<b>Factors</b>	<b>Plan &amp; Spec.</b>	<b>Performance Contract</b>
<b>Project Approach</b>	Low Initial Cost	Low Life-Cycle Cost
<b>Financial Source</b>	Capital Outlay	Existing Budget
<b>Tax Increase</b>	Yes	No
<b>Up-front Fees</b>	Yes	No
<b>Savings Guarantee</b>	No	Yes, up to 20 Years
<b>Performance Guarantee</b>	No	Yes, up to 20 Years
<b>Cost Guarantee</b>	No	Yes, No Change Orders
<b>Equipment Selection</b>	Low Bid	Most Efficient and Economical over Life of Equipment/Building
<b>Contractor Selection</b>	Low Bid	Most Qualified
<b><i>Risk</i></b>	<b><i>Marshall County</i></b>	<b><i>Energy Services Company</i></b>

# Program Goals

## Transfer Risk

- Transfer risk from Marshall County to ESCo by guaranteed outcomes

## Upgrade Infrastructure

- Reduce utility expenses to help fund the replacement of assets that are at or past useful life (HVAC, lighting, controls, etc.)

## Improve Life Safety and Working Environment

- Increase comfort and decrease energy usage by adding an automation system.
- Better lighting levels to improve living and working environment.

## Proactive vs. Reactive Maintenance

- Improved services, accurate real time information, improved reliability

## Financial Benefits

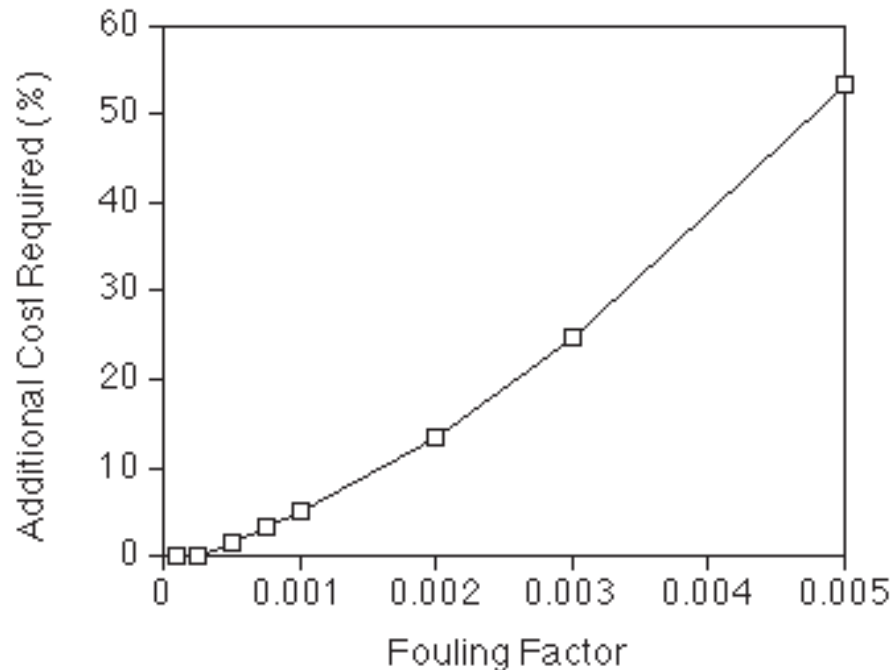
- Give county the ability to fund upgrades without having to raise taxes or find new money
- Self funded through energy savings

# Marshall County Goals

- Innovative Project, Self-funding Solutions that Reduce Operating Costs while increasing comfort and productivity allowing Jail to focus on operations.
- Improve Building Comfort & Safety Levels
- Increase Efficiencies & Improve Technology Capabilities
- Reduce Energy, Water and Unpredictable Operating Costs
- Reduce Financial Risks associated with Capital Improvement Projects

**Performance Contracting** uses Savings within our Existing Budget to Fund all Improvements & **ESCo Guarantees the Financial Results!**

# County Challenges



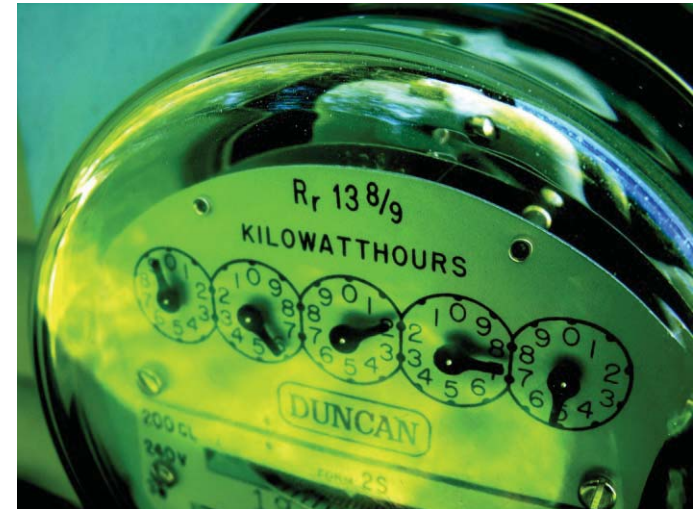
- Limited Funds
- Tightened Budget
- Code Compliance
- Reactive Facilities Department or Outside Contractor
- Rising Energy/Operating Costs
- Deteriorating Infrastructure & Facilities
- No Ability to Control Buildings
- Unfunded Capital Improvement Projects





# Project Results for Marshall County

- ✓ Reduce Energy/Operating Costs
- ✓ Lighting Upgrades & Controls
- ✓ Control System Improvements
- ✓ Water Infrastructure Upgrades
- ✓ Mechanical Upgrades
- ✓ Indoor Air Quality/Comfort Issues
- ✓ Repair Deteriorated Equipment or Buildings
- ✓ Weatherization Efforts
- ✓ Educational Tools

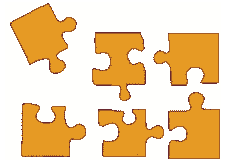


# Next Steps & Timeline

<b>Activity</b>	<b>Date</b>
<b>Request Fiscal Court Approval to Issue RFP</b>	<b>June 20, 2017</b>
<b>Advertise Issuance of RFP</b>	<b>June 27, 2017</b>
<b>Mandatory Walk Through of ESCo's</b>	<b>July 11, 2017</b>
<b>ESCo's RFP Responses Due</b>	<b>August 8 2017</b>
<b>Select ESCo to Develop the GESC</b>	<b>August 15, 2017</b>
<b>Project Development Agreement initiated</b>	<b>August 2017</b>
<b>Project Team Develops Final Scope</b>	<b>August-October 2017</b>
<b>Legal Contract Review, Hearing &amp; Financing</b>	<b>November 2017</b>
<b>Construction Begins</b>	<b>December 2017</b>

## Energy Savings Performance Contracting (ESPC)

ESPC is a straight-forward concept in which a building owner enters into a contract with an Energy Services Company (ESCO) to perform specific facility improvements and enhancements and uses the future energy savings of these improvements to finance the project costs.



### Utilizing a Performance Contract, you can achieve:

**Better Facilities:** By updating or replacing equipment that is old and inefficient with newer and improved technologies, you will have higher-quality systems, with reduced energy use, increased controls, fewer breakdowns and decreased maintenance. Additionally, facility users will enjoy enhanced indoor air quality, better lighting, and a more comfortable environment, which positively influences their productivity while using the upgraded facilities.

**An Investment with a Guaranteed Return:** ESPC enables building and facility owners to redirect funds that would be spent on energy and maintenance bills into investments in your buildings. For municipalities and other public agencies, this means limited budgets can stretch further and be focused on delivering mission critical services as well as maximizing taxpayers' dollars.

**Improvements Without Sacrifice:** ESPC is the ideal tool for building and facility owners to undertake energy efficiency projects today...even if no funds are available. By leveraging guaranteed future energy savings, projects can use alternative funding sources to provide funding for the project without impacting existing capital budgets. This means improvements can move forward when faced with tight budget or competing priorities.

**Direct Cost Savings:** New systems and equipment can lower your energy and operational costs. Building owners have seen energy and operational savings of 15% to 30% and sometimes more after improvements of energy strategy, facilities, and equipment. As an added benefit, since the majority of upgrades will operate well past the contractual term, the benefits, both monetary and operational, will continue well into the next decade.

**Proven Technology, Expertise, and Innovation:** For more than 30 years, ESPC has been a widely accepted and reliable way to make energy and operational improvements to facilities and buildings. Using industry-standard practices and proven energy-saving technologies provides the confidence that their ESCO is supplying future-oriented facility and environmental enhancements. Additionally, since ESCOs have a critical financial stake in the success of any program or project, Customers can be assured that innovation, technology, and experience will be dedicated to meeting and exceeding their long-term needs. ESPC is not limited to direct energy efficiency upgrades and, in recent years, legislation includes water, wastewater, safety and security measures that allow building owners and managers to select the best energy options for their particular long-term energy and facility strategy.






**A Single Source:** ESPC offers a streamlined approach to making facility improvements as customers, with a single contract, can implement multiple energy and operational projects throughout their buildings. Services ranging from design, development, implementation, commissioning, financing, auditing, measurement, and verification are all available through a qualified ESCO, enabling public entities to have a single and competent source for ESPC projects.

### A qualified ESCo Partner Assists by:

- Identifying and evaluating energy-saving opportunities;
- Developing engineering designs and specifications;
- Managing the project from design to installation to monitoring;
- Arranging for financing;

- Training your staff and providing ongoing maintenance services; and
- Guaranteeing that savings will cover all project costs.

## **A qualified Energy Services Company can help you put the pieces together:**

-  Identify and evaluate your energy-saving opportunities;
-  Develop engineering designs and specifications;
-  Manage the project from design to installation to monitoring;
-  Arrange for financing;
-  Train your staff and provide ongoing maintenance services; and
-  Guarantee that savings will cover all project costs.

## **Benefits of Performance Contracting in lieu of conventional low bid method:**

- Single-source accountability throughout the entire project
- Transfer financial and technical risk to ESCo
- Flexibility with selection of subcontractors
- Doesn't affect bonding capacity
- Financial and funding options are your choice
- ESCo experience and expertise with retrofit and replacement projects
- Results are guaranteed or ESCo pays the shortfall!

## **Selecting an ESCo**

Select an ESCo that has Performance Contracting as a core competency. This creates the best seamless team and long-term integrated solutions. Procurement through a Performance Contract is a perfect start toward a master plan that can include energy-efficient equipment, integrated utilities, waste recycling, and network systems that will take you well into the next century.

Select an ESCo that provides a wide range of services, numerous technologies and continues to stay on the cutting edge of new and improved ways to conserve energy. The best projects are designed in a collaborative way and together you will build a project tailored to your specific needs and goals.

The ESCo performs an energy audit at specific facilities and will identify and evaluate energy-saving opportunities for these buildings. Once the opportunities are identified, the ESCo recommends a package of improvements and upgrades to capture the energy savings with the implementation paid through energy and operational savings. The ESCo will guarantee that savings meet or exceed annual payments to cover all project costs—with a typical contract term of 15 years or more. If the agreed-upon savings do not materialize, the ESCo pays you the difference.

Select an ESCo who is a true Performance Contracting firm. No bias, no products — only highly effective, comprehensive, and creative solutions with a sole focus to provide outstanding performance solutions who is fully accredited by National Association of Energy Service Companies (NAESCO).