



SCEP

STATE & COMMUNITY ENERGY PROGRAMS

ESPC Campaign Workshop - Working with Internal and External Stakeholders to Ensure a Successful ESPC Project

November 13th, 2024

A copy of the slides from today's presentation will be provided to you for reference.



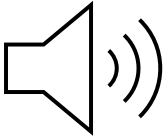
www.energyservicescoalition.org



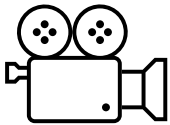
Virtual Housekeeping



Drop your questions in the Chat box at any time or raise your hand!



Unmute your microphone to ask questions and join the conversation



This workshop is being recorded but will only be available to ESPC Campaign Public Sector Partners.

We want this session to be interactive and leave plenty of room for discussion. The slides will be shared after today's event.

Speakers



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Presenter's Bio

- 39 years' experience in energy efficiency industry, including engineering, management, marketing, and sales at several engineering firms and energy service companies (ESCOs)
- Founded and ran an ESPC Owner's Rep firm for 18+ years
- U.S. Department of Energy Project Facilitator for Federal ESPCs for 20+ years
- Quality Assurance on \$2.5 billion of ESPCs for dozens of state and local governments, K-12, and higher education clients, as well as DOE, DOD, FBI, FDA, GSA, DHS, and others
- BSME from University of South Florida
- Registered Professional Engineer in Nevada
- Certified by the Association of Energy Engineers (AEE) as a Certified Energy Manager (CEM) and Certified Measurement & Verification Professional (CMVP).
- Graduate of NREL's Energy Executive Leadership Program

About ESC

The Energy Services Coalition (ESC) is a national nonprofit organization composed of a network of experts from a wide range of organizations working together at the state and local level to increase energy efficiency and building upgrades through **E**nergy **S**avings **P**erformance **C**ontracting.

Local chapters; public and private sector individuals coming together to provide outreach and education.

Workshop Agenda

Learning Objective: Understand how to get started with an ESPC, and how to gain interest and then engagement from internal and external stakeholders throughout the process.

- Intro to ESPC Stakeholder Engagement
 - Stakeholder Engagement Overview
 - Assembling an ESPC Stakeholder Team
 - When to engage stakeholders during ESPC
- Building the Initial Team
- Identifying and Enlisting Help from Internal and External Stakeholders
 - Communications Protocols
 - Roles and Responsibilities
- Considerations and Best Practices for each Stakeholder Group
- Resources
- Closing Thoughts and Upcoming Events
- Questions and Discussion



This symbol indicates that more information on this topic will be featured in future trainings.
Designed by Freepik

Acronyms Explained

- AHJ = Authority Having Jurisdiction
- Cx = commissioning
- DOE = Department of Energy
- EUI = Energy Use Index
- ECM = energy conservation measure
- ESCO = energy services company
- ESPC = energy savings performance contract
- IGA = Investment Grade Audit
- IGAA = Investment Grade Audit Agreement
- IPMVP = International Performance Measurement and Verification Protocol
- M&V = measurement & verification
- OMR&R = operations, maintenance, repair and replacement
- RFP = Request for Proposals
- RFQ = Request for Qualifications

Intro to ESPC

Stakeholder Engagement

Stakeholder Engagement Overview

Why Engage Stakeholders?

- Set realistic expectations for project goals and metrics
- Ensures timely input from correct decision-makers
- Increases buy-in and project support
- Enhances project success and impact

Have a stakeholder engagement plan

- Include plans for stakeholder turnover

Know who to involve and why, when, and how to involve them

- Stakeholders may be internal and external to Owner organization
- Key decision makers for specific input (i.e., ECMs considered, goals, OMR&R strategy approval)
- May be responsibility of Project Champion, with OR support

Be careful with "too many cooks in the kitchen."

ESPC Champions Toolkit – [Stakeholder engagement resources](#)



Assembling an ESPC Stakeholder Team

APPROVING AUTHORITIES (Int/Ext)

You need these folks fully bought in and supportive of the rigor the team will provide to help mitigate risk and see that you get what you set out to achieve.

PROJECT CHAMPION (Int)

Typically, the ringleader or champion for the concept. Required to help assemble needed resources, tools, topical expertise.

OVERSIGHT (Ext)

This role is becoming far more common. Provide experience, insight and education along every step of the way. Professional ESPC Owner's Reps can save time, money, and aggravation.

CONSTRUCTION (Int)

Require that these projects meet or exceed your quality standards and BAU documentation and process. Assist with witnessing, approvals and invoice review.

OPERATIONS, MAINTENANCE, REPAIR AND REPLACEMENT (Int/Ext)

Know what's needed, where the challenges are, what future requirements are to maintain guaranteed savings.



LEGAL (Int/Ext)

Customize documents, review all ESCO-provided input to ensure compliance and avoid contradictions.

FINANCE (Int/Ext)

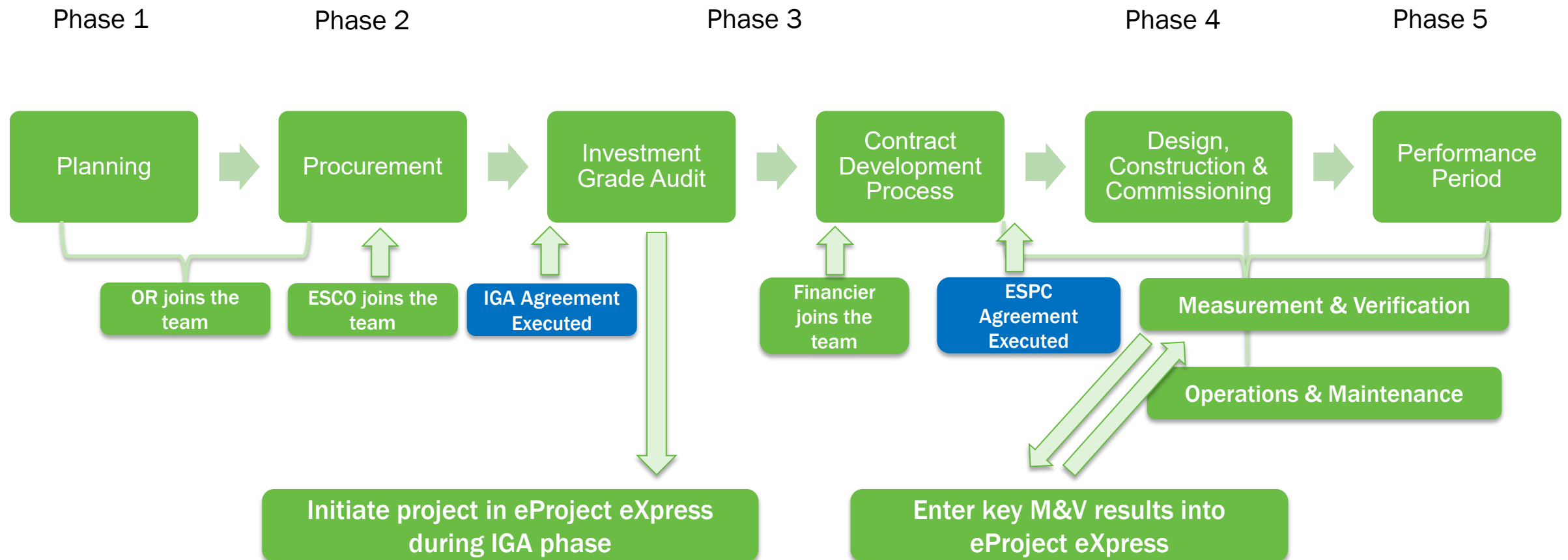
Know how the money moves from operating cost to note repayment and how to manage incentives or other revenues. Commit to full term budgeting.

PROCUREMENT (Int)

Ensure a competitive procurement. Generally, this is two step; first for prequalified providers and later for each project.

The Five Phases of ESPC

Stakeholder Engagement happens throughout but is especially important during Agreement Executions



Building the Initial Team

Identify a Project Champion

A project champion...

- Drives progress
- Builds site and owner support
- Educates decision makers and stakeholders
- Addresses decision makers' priorities
- Contacts State Energy Office to get info on resources, legal requirements, and any technical assistance (See [ESPC Campaign Training 1](#))
- Joins or builds an [ESPC Network](#) in their state/region
- Utilizes U.S. DOE's [ESPC Champion Toolkit](#)
- Ensures the right people engage at the right time
- Works closely with Owner's Representative to assist with heavy lifting and address questions/concerns
- Understands the organization's processes

The Champions Network contd.

- Champions will follow the UPGRADE Plan to identify and implement building improvement projects:
 - U** Use benchmarking data to identify potential improvement projects
 - P** Plan potential improvements for the next 2-3 projects
 - G** Go visit the proposed buildings to talk to the facilities team
 - R** Recommend potential Energy Conservation Measures (ECMs)
 - A** Assemble a project team
 - D** Develop a project description
 - E** Engage with agency leadership

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The champion is someone internal to the customer (Owner) organization!

Owner's Representative (OR) Role in Stakeholder Engagement

An OR is both a stakeholder AND plays a key role in the project's larger stakeholder engagement efforts:

Overarching role of the OR is to ensure that the project:

- Offers good long-term value to customer and meets their objectives
- **Has been explained to all primary Owner stakeholders (from executive leadership through O&M)**
- Is built upon a strong baseline and sound engineering analysis
- Identifies, minimizes, and manages customer risk
- Offers a high probability of long-term success
- Has a clear division of responsibilities for future construction, operation and maintenance of new systems, etc.

Additional information on the role of the OR is available through the PCNRC ([Performance Contracting National Resource Center](#)) [Training Certificate Series](#).

[U.S. DOE's An Ally in Your Corner: Benefits of Using Owner's Representatives](#)

Working with an OR

Best Practices

- Best to hire them as early as possible. As soon as you start thinking about upgrading facilities.
- Main value is providing **independent** education and validation.
- An OR should not also be working for ESCOs, creates a conflict of interest.

Finding an OR

- As [ESPC Campaign Supporters](#) on the Partners page of the website.
- As Project Facilitators on the [DOE PF list](#) (Note: many listed PFs are Federal employees and are not available to support non-Federal agencies).
- Through your State Energy Office or other state-level ESPC program.

Contracting and Payment

- DOE is assembling template procurement and contract docs.
- They are paid fee for service, until financing is in place. Then financed funds pay for OR. Owner can reimburse themselves for costs to date.
- Utilize Bipartisan Infrastructure Law's EECBG funds to offset costs.

Identifying and Enlisting Help from Internal and External Stakeholders

Communication Protocols

*Open, clear communication within the stakeholder team is critical to success!
The Project Champion leads these communication efforts.*

- [Utilize U.S. DOE's Networking Toolkit - Communications Plan](#)
- Establish clear communication protocols early
- Designate lead point of contact for both the Owner's team and ESCO
- Determine whom to engage and when
- Determine who is responsible for documenting discussions, decisions, issues and resolutions (best practice is the OR)
- Establish Q/A & Communication Log to document questions, address, and "close out" the issue
- Lesson Learned: Ensure the OR is involved in every meeting, call, and email exchange to ensure the integrity of the process

Roles and Responsibilities of Stakeholders

Flashback from Training 3 – Best Practices for IGA, Contract and Project Execution

- Establish roles and responsibilities at the outset of procurement planning
 - Delineate responsibilities of OR and facility staff
 - Roles for various facility staff to assist project development
 - Identify any gaps, and determine how to fill them
- Determine who will drive the schedule (and how)
- Define (and manage) expectations through feasibility studies and preliminary site assessments – very important!

Considerations and Best Practices for each Stakeholder Group

Legal Considerations and Best Practices

Legal Considerations:

- Are there existing statutes that must be followed? [State ESPC Legislation 2022 Update](#).
- Does SEO have template documents to use? If not, use and customize [U.S. DOE template documents](#).
- Does your internal legal team have any ESPC experience?
- Consider hiring a legal firm with ESPC experience. Typical “Bond Counsel” firms often don’t.

Best Practices for Legal Stakeholders:

- Ensure internal and external legal staff agree on ESPC process early!!!
- Set protocols for document review and control, approvals, etc.
- Review all template docs prior to procurement.
- Review ESCO-provided input to ensure compliance and avoid contradictions.
- Attorneys should provide “Letters of Opinion”, if needed, on a timely basis.
- ESCO and Financier should include legal fees in proforma cash flow.

Example from Legislative Update

ALABAMA

Updated 9/7/22

RESOURCES

Alabama Department of Economic and Community Affairs (ADECA), Energy Division,

• <https://adeca.alabama.gov/>

Performance Contracting

• <https://adeca.alabama.gov/performancecontracting/>

AEPC Manual

APPENDIX A – Alabama Guaranteed Energy Cost Savings Act

APPENDIX B – Building Commission Law

APPENDIX C – Sample RFP

APPENDIX D – Facility Profile

APPENDIX E – Sample Energy Audit Agreement

APPENDIX F – Evaluation Forms

APPENDIX G – Sample Energy Service Agreement

APPENDIX H – Alternative Dispute Resolution

APPENDIX I – Checklist and Certification

PERFORMANCE CONTRACTING Fact Sheet

ESPC Contractual Considerations



Legal and Procurement Departments must become familiar with...

Type of document set

1. Contract for owner's representative (OR)
2. Program request for qualifications (RFQ) or request for proposal (RFP)
3. Project request for proposal (RFP)
4. Investment grade audit (IGA)
5. ESCO base contract (or master contract)
6. Energy services agreement
7. Financing solicitation

Purpose of document set

1. Owner should secure OR at onset of process to assist with the following steps
2. Pre-qualify ESCOs for a program
3. Final ESCO selection for a project
4. Detailed project evaluation and proposal
5. Contract between the ESCO and State Energy Office that establishes requirements for pre-qualified ESCOs to provide ESPC services
6. Defines project and quantifies expected results, defines how project will be implemented and managed, details roles and responsibilities, M&V plan and O&M plan
7. Competitively select financier

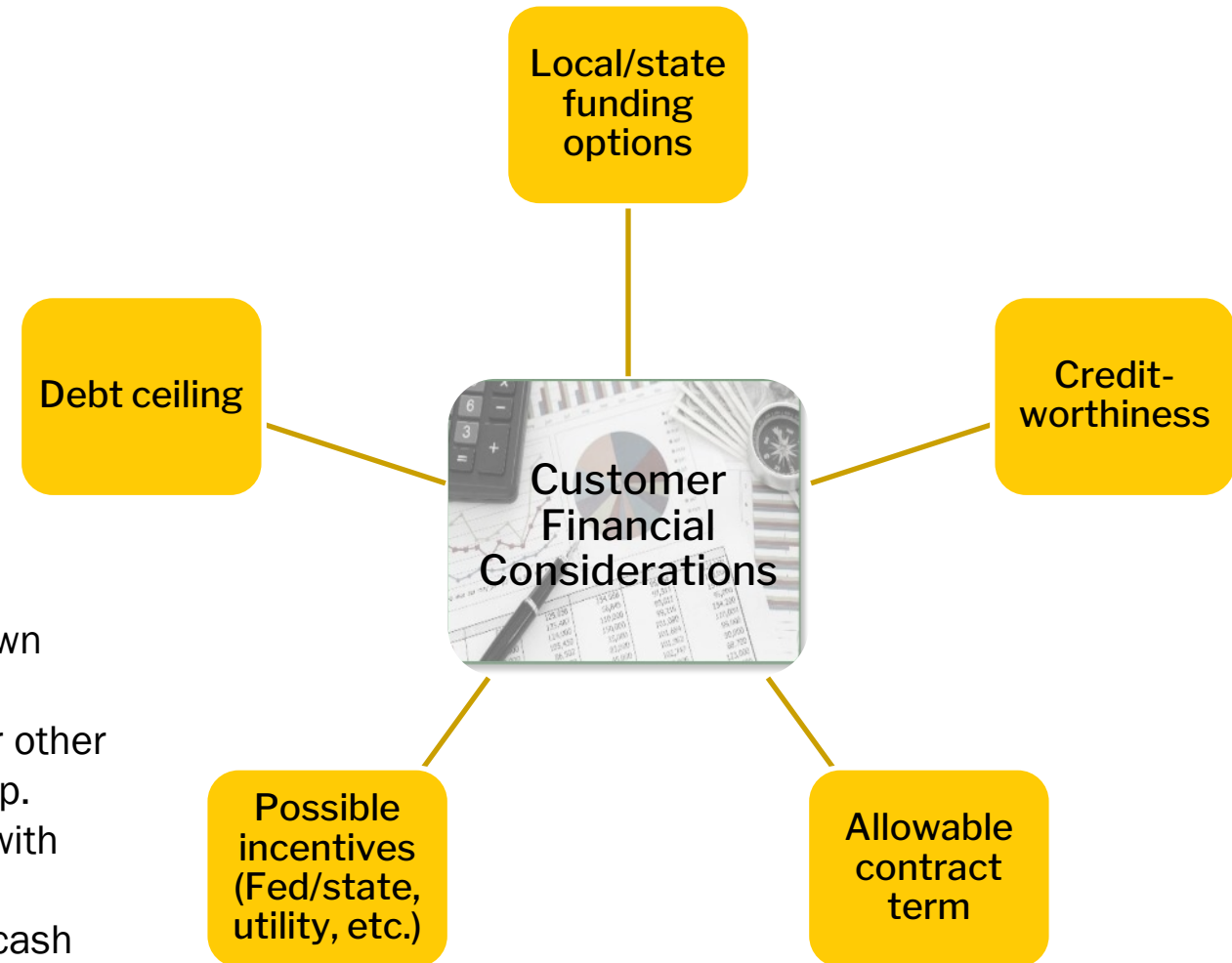
Financial Considerations and Best Practices

Financial Considerations:

- What are your organization's processes for funding facility upgrade projects?
- Help finance and budget staff understand benefits of ESPC, such as lower operating and future capital replacement costs.
- How will the money move from operating costs to note repayment?
- Commit to full term budgeting.

Best Practices for Financial Stakeholders:

- Is there any appropriated capital that can be used as a “down payment” to lower the financed principal?
- Identify and manage Federal, State, and utility incentives or other potential revenues (e.g., Demand Response). ESCO can help.
- Secure an experienced Financial Advisor (FA) early to help with planning.
- Work with Internal Finance, FA, and ESCO to carefully plan cash flow to maximize leveraging of outside incentives, subsidies (e.g., IRA Direct Pay Subsidy is paid year after project is completed).



Procurement Considerations and Best Practices

Procurement Considerations:

- Are there existing statutes that must be followed? [State ESPC Legislation 2022 Update](#).
- Identify specific procurement requirements for ESPC (See ESPC Campaign Training 2 - [Setting the Stage for Success: Best Practices for ESPC Planning and Procurement](#)).
- Understand ESPC Program Processes.
- Ensure a competitive procurement.

Best Practices for Procurement Stakeholders:

- Educate Procurement staff about differences in ESPC vs. standard Design/Bid/Build (DBB).
- Focus on ‘Picking a Partner, Not a Project’. Selection criteria should be qualifications driven, with “indicative” pricing.
- Consult peers in ESPC Network (or other ESPC Campaign partners) for insight and tips.
- Help them understand that ESPC, although more complex than DBB will deliver multiple benefits with fewer procurements.



Developing and Publishing the RFP or RFQ

Refresher from Training 2

- Draft statement of goals and objectives for RFP
- Include existing conditions info from OR's pre-qual report. No economics, that's for IGA phase. This info gives the ESCOs an idea of what facilities, equipment, systems, and challenges they will be seeing in the field.
- Don't be too prescriptive in developing scope. Use ESCO creativity and innovation to Owner's benefit.
- What information to seek from the ESCO as part of their response to RFP/Q?
 - Experience & Qualifications on similar projects
 - Resumes of staff who will actually work on your project, not out of town “closers”
 - Request maximum % of hard costs pricing for overhead, profit, engineering, project management, commissioning (Cx), M&V fees, etc.
 - References for similar projects
 - Abide by Dodd-Frank for MUSH
 - Credit worthiness of ESCO
 - Examples of recent project financials, including guarantees (Any savings shortfalls?)
 - Include standardized contract terms & conditions for the IGAA & Performance Contract
 - Establish a timeline & stick to it – Demonstrates to ESCO market that you're serious about ESPC!
 - Discuss “leading”, not “bleeding” edge technologies they have implemented
 - Familiarity and experience with U.S. DOE's [eProject eXpress](#), a secure, web-based system that enables states, agencies, institutions and ESCOs to preserve, track, and report information
 - Experience securing government/utility incentives and rebates

OMR&R Considerations and Best Practices

Operations, Maintenance, Repair, and Replacement Considerations:

- Operations & Maintenance staff are most likely underfunded, understaffed, and underequipped, ESPC can help.
- Deferred Maintenance is most likely a significant issue, and driver for ESPC program/project.
- ESPC can be an opportunity to address Indoor Air Quality (IAQ) and other chronic operational issues.



Best Practices for OMR&R Stakeholders:

- Meet with staff at the very beginning of ESPC project planning. Seek their input; they have the best facilities knowledge.
- Educate O&M staff about differences in ESPC vs. standard Design/Bid/Build.
- Explain many benefits *to them* of ESPC, including new fully commissioned equipment and systems, less “fire fighting, more preventive maintenance”, additional high quality training opportunities, and leading-edge tools to make their jobs easier.
- Create allies from inception to ensure project success.
- Utilize staff for extensive document review, witnessing of M&V and Cx activities.
- Incorporate “Internet of Things” building analytics-based strategy to improve diagnostics, control, alarming, and reporting.
- Ensure contract includes extensive on-site and classroom training with continuous refresher training to *protect ability to meet guarantee responsibilities*.



Construction Considerations and Best Practices

Construction Considerations:

- Are there existing design & construction rules and regulations that must be followed?
- Will selected ECMs trip ADA or other code-based upgrade requirements?
- Are there any upcoming renovations that could be integrated into ESPC?
- Do you have construction professional with the time to act as an ESCO Liaison?



Best Practices for Construction Stakeholders:

- Meet with staff at the very beginning of ESPC project planning, seek their input, they know your construction requirements.
- Educate Construction staff about differences in ESPC vs. standard Design/Bid/Build.
- Explain many benefits *to them* of ESPC, including new fully commissioned equipment and systems, real “As-built” drawings.
- If needed, hire outside Construction Management firm to ensure timely project completion. Costs can be included in project cash flow.
- Assist with witnessing, approvals and invoice review.



Oversight Considerations and Best Practices

Oversight Considerations:

- Are there existing statutes that must be followed?
- Owner's Reps are increasingly being used to improve ESPC project outcomes.
- Professional ESPC Owner's Reps can save time, money, and aggravation.

Best Practices for Oversight Stakeholders:

- See slides 14 and 15 for more details about Owner's Reps.

Approving Authorities Considerations and Best Practices

Approval Considerations:

- Are there existing statutes that must be followed?
- Which internal and external stakeholders must be included in project approval process?
- How must the project development process be timed to reduce project life cycle?
- Can they give you approval to negotiate IGAA and ESPC agreements, or approve the fully negotiated agreements?



Best Practices for Approval Stakeholders:

- You need these folks fully bought in and supportive of the rigor the team will provide to help mitigate risk and see that you get what you set out to achieve.
- Educate and update the approving authorities about the project early and often. Recommend notifying all external approval authorities at the beginning of process about the objectives, timeline, etc.
- Include OR and then OR+ESCO in approval meetings to help answer questions.
- Informal briefings can smooth the formal approval process.
- If a State Public Works or Construction Department feels ESPC will exclude them from formal oversight due to statute language, include them to help securing approvals, including nominal fees. Include their fees in cash flow.
- Time financial RFP, IGA completion, and ESPC Agreement to streamline approval process.





Understand approval process for each phase...and make sure the Team understands the process

- Understand who has approval authority vs. who needs information
- Understand who has veto power, and who else has influence (and possibly unofficial veto power)
- Implement a process for informing, getting feedback/reviews/approvals
- Does governing body or facility owner approve intermediate components (ECMs, M&V plan, O&M strategy, etc.) or just final ESPC project proposal?
- What input and influence will external stakeholders have (i.e., school district committees, city council, elected officials, supervisory board members, State construction office, fire marshal, debt commission, etc.)?

Resources

Resources

- [Utilize U.S. DOE's Networking Toolkit - Communications Plan](#)
- [U.S. DOE's An Ally in Your Corner: Benefits of Using Owner's Representatives](#)
- [Stakeholder engagement resources](#)
- [ESPC Champions Toolkit](#)
- [ESPC Podcasts | Energy Services Coalition](#)
- [Energy Savings Performance Contracting \(ESPC\) Toolkit | U.S. DOE](#)
- [Performance Contracting National Resource Center | U.S. DOE](#)
- [eProject eXpress | U.S. DOE](#)
- [ENERGY STAR Portfolio Manager | U.S. EPA](#)

Resources: ESPC Campaign



The **Energy Savings Performance Contracting (ESPC) Campaign** engages states, local governments, school districts, universities and colleges, hospitals, and other market stakeholders to:

- **Support** the use of performance contracting to increase efficiency, modernize public buildings, reduce utility expenses, increase resilience, and meet lead-by-example goals
 - **Share and Leverage Practical Resources** to strengthen ESPC and measurement & verification (M&V)
 - **Amplify and Implement Best Practice Approaches** for ESPC projects and programs
 - **Demonstrate Impact** with measured and verified energy and cost savings
 - **Showcase Achievements** and share examples of successful ESPC implementation
- ✓ **Expert-led Trainings**
 - ✓ **Webinars**
 - ✓ **Peer Exchanges**
 - ✓ **“Ask-an-Expert” Office Hours**
 - ✓ **Resource Library**

Complete the
[Expression of Interest](#)
form to obtain a
Partner Agreement

Closing Thoughts and Upcoming Events

Upcoming Events

Webinar

- Thursday, November 21st, 2-3PM ET – [Benefits of ESPC for Finance and Leadership](#)

Trainings

- Wednesday, December 5th 1-2:30PM ET - [Paying for Your Project](#): Understanding ESPC Project Financials, Financing Options, and the Leveraging Effect of ESPC on Contributed Funds
- Monday December 9th 2-3:30PM ET – EECBG Blueprint Cohort training on “Financing - understand project cash flow proforma, learn how to secure financing.” Complete [this form](#) and express interest in Cohort 2B to receive training invites and registration links from the Energy Efficiency and Conservation Block Grant (EECBG) Blueprint Cohort on ESPC topics.

Office Hours

- State and local ESPC Campaign partners are invited to set up a time to speak with a Department of Energy Project Facilitator (Owner’s Representative) for virtual office hours. Discussion topics can be anything regarding an ESPC project, including specific questions on your project. To request a meeting time, please complete this [Office Hours Sign-Up Form](#).

Q&A and Discussion



SCEP

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Thank you!

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