

Minutes for ECC Meeting #4

Date/Time: Thursday, April 17th, 2008 7pm

Attendees: Wendy Dennis, Matthew Jewett, Anthony Guardia, Steve Shoap, Jack Warchol, Jennifer Kallay, Pooja Parsons, Peter Evangelista from the Wakefield Public Schools, John Encarnacao from the Permanent Building Committee/Board of Selectmen, Jim Good, John Carney and Pat Glynn from the Board of Selectmen, Donna O'Neil from The Observer, John Kauppinen from NORESKO, Leo McNeil from Trane, and Harold Meyer from Ameresco

Agenda Item #1 - ESCO Presentations

1. John Kauppinen's presentation introduced performance contracting. John represents NORESKO.

Additional Key Points

ESCOs:

- Are a perfect fit for towns with little money to spend on capital improvements to buildings
- Guarantee operating cost savings that pay for the cost of the capital improvements
- Provide for ongoing training for operations and maintenance staff to ensure the equipment is running properly and will achieve the guaranteed savings
- Don't focus on lowest first cost as low-bid contractors do...instead, they focus on lifecycle costs which ensures that the savings last well into the future
- Offer a streamlined approach which often results in faster timelines as multiple contracts and contractors aren't needed
- Include permitting in the process
- Offer a collaborative approach with flexibility in many areas
- Are vendor-neutral and will work with any preferred vendors
- Can help to track environmental benefits such as emissions savings for publicity purposes
- Recommend against just doing 'cream skimming' measures – a town should leverage these measures to offset other measures that cost more in a comprehensive package of measures that save more in total
- Are long-term partners that help you to revisit issues or changes in occupancy that come up 10-15 years from now
- Streamline procurement of replacement parts by standardizing equipment needs across sites to enable bulk purchasing
- Employ control technology that is web-enabled, making building controls for a number of buildings easily accessible in one place
- Incorporate 1) energy savings measures and 2) equipment that simply needs to be replaced into plans, recognizing that the financing options available via ESCOs may be the only means a town has to finance these updates

- Consider new buildings because they have found them to have huge savings opportunities (i.e., often they are overlit)
- Have flexible financing terms - payments do not have to begin until a year after construction is completed and can be structured to ensure the town has a positive cash flow

Answers to Questions

- Q: What kind of seed money might be needed?
A: Seed money could be minimal. Often, unexpected issues (i.e., asbestos) can be worked into the contract or can be worked around. However, if known, these issues should be factored into the project from the start. For example, the school system has a report detailing where the asbestos is and how much it would cost to remediate. Also, these issues would impact the level of savings that can be achieved because they take capital to deal with without providing any energy savings. If unknown, these issues can be identified in the energy audit.
 - Q: How far down the path would the town incur costs if it were to decide not to move forward with an ESCO?
A: Backout fees can apply once an audit is conducted. These fees cover engineering services in the event that the project does not move forward and typically cost \$0.12-\$0.15/sq. ft. However, this could range depending on the types of technical expertise that was leveraged to create the audit.
 - Q: What are the potential liabilities associated with older buildings?
A: ESCOs frequently deal with older buildings and have a good deal of experience in the types of issues that can arise. Due to this experience, unforeseen issues (that are not known to the town and aren't apparent to the ESCO in the energy audit) do not usually come up.
 - Q: How do you deal with buildings that are pending renovation?
A: The first step is to gauge the likelihood of that the renovations will take place and if so, when those renovations are likely to take place. If the renovations will likely occur in 4 years, the ESCO would likely recommend measures with a payback period of 4 years or less. In other words, the ESCO can do some high level, quick fixes that are obvious wins and that would not be counteracted by the renovation effort further down the road.
2. Leo McNeil's presentation discussed the rationale behind and process of updating the state statutes that are intended to encourage towns to undergo performance contracting. Leo represents Trane.

Additional Key Points

- The updates to the state statutes have increased the amount of interest in and participation in performance contracting by municipalities. 10-12 communities since 2006 have gone through or are going through the RFQ process.
- The financing term can be up to 20 years.
- Interest rates can be quite low (as low as just above 3% to 4%, in general). The rates can be similar to the rates associated with bonds.

- The entire performing contracting process can take 12-16 weeks in total with a highly motivated and engaged committee. However, often this process takes up to 2 years.
- After collecting responses to the RFQs the town should rank the bidders, select the top bidder and move forward with negotiations.

Answers to Questions

- Q: Can ESCOs help to identify points for LEED?
A: ESCOs can help to identify points for LEED. However, the LEED process is quite time intensive.
3. Harold Meyer's presentation discussed the financing structure. Harold represents Ameresco.

Additional Key Points

- High energy costs enable municipalities to invest more in energy saving equipment due to the improved cost effectiveness of these investments
- In selecting an ESCO, a town should check out certification limits of the ESCO (single and aggregate); 8 companies in Massachusetts are large enough to help Wakefield out
- A town should also check to ensure that the ESCO they select has experience with any specific measures they want to include in the plan
- Municipal lease financing is the most popular financing method. Competition between lenders is high and competitive which keeps rates low.
- Equipment maintenance can be done by the ESCO or the town. The ESCO just wants to be sure it is accomplished. If this is written into the RFQ, this is a cost that will be incorporated into the contract.
- Savings assessments can be conducted annually by the ESCO. Some towns cancel these after the first or second year of savings to cut costs. However, cancellation impacts the guarantee.
- ESCOs commonly see 20-40% savings across all fuels and water consumption. The biggest savings are actually experienced with regard to water. Most of what ESCOs tackle are issues that don't cost much to mitigate and don't employ technology that isn't already commercially available and frequently used, but have savings that really add up.
- An ESCO can help to tap into rebates and incentives at the state and federal level (or Massachusetts Technology Collaborative with regard to renewable energy)

Answers to Questions

- Q: What if the ESCO goes bankrupt?
A: This hasn't really happened before because ESCOs are relatively stable entities, so there isn't much experience. However, the ESCOs thought that unless you are in the construction phase, the debt would be sold to another company and the town would continue on with them.
- Q: Who do the equipment warranties belong to:
A: The warranties belong to the town.

ESCOs to email RFQs and agreements to Wendy

- (Review maintenance section in RFQ; determine what to include in RFQ; every extra costs money if the ESCO does it)

Agenda Item #2 - Data Collection Subcommittee Update

The committee reviewed a preliminary dataset and determined that there are several questions that need to be resolved. The data collection subcommittee will take the following next steps:

1. Meet with Phillip Crosscup to walk through the file sent by Peter Dion to:
 - a. Understand what the different building names refer to
 - b. Determine what buildings from this list should be added to the list already provided by Richard Stinson and Peter Evangelista
2. Follow up with Peter Evangelista to:
 - a. Verify the units associated with the water use data
 - b. Obtain sewer use data
 - c. Obtain data for the Doyle and Yeuell schools
3. Follow up with Richard Stinson to:
 - a. Determine if sewer use data is included in the water use data
 - b. Obtain the sewer use data if it is not already reflected in the dataset

Also, Wendy will follow up with the ESCOs to get some samples of RFQs and talk with Tom Mullins town council

Next Meeting: Thursday, May 15th at 7pm. The location is to be determined.

Interim Meetings: None planned for now

Process & Draft Timeline (bolded text denotes where the committee is in this process)

Step 1 – The data collection subcommittee collects data on energy use (includes Peter Evangelista, Richard Stinson, Rob Darnell, and Jenn Kallay) – the goal is to accomplish this task by the April 17th committee meeting

- Create spreadsheet containing the energy use for all fuels for each of the buildings that are included in the list of town buildings that Warren's obtained
- Determine whether or not to remove unoccupied space from the square footage estimates

Step 2 – The research subcommittee surveys other towns to get insights into their experiences (includes Pooja Parsons, Steve Shoap, Richard Stinson and Warren Magoon) – the goal is to accomplish this task by the April 17th committee meeting

- Determine which towns to survey
- Follow up with those towns
- Evaluate the pros and cons of different financing options
- Present findings at future committee meetings

Step 3 – Send the dataset to Eileen at DOER to baseline the results by classifying the buildings as low, medium, or high energy users as compared to other similar buildings in the state - this step will take a few weeks to complete, the preliminary goal is to complete this by the May 15th committee meeting

Step 4 – Identify potential bidders – aiming for May and June

- Coordinate presentations with ESCOs we are considering to learn more about their approach, process, etc. - DONE

Step 5 - Discuss results of the DOER baseline and determine which buildings should be part of an RFQ – the preliminary goal is to discuss this during the May 15th committee meeting

- If there aren't any buildings that need work done, wrap up project and present findings to the Board of Selectmen and consider other projects including lead by example, behavioral or educational initiatives
- If there are buildings that need work done, discuss any measures that need to be included as part of the RFQ

Step 5 - Prepare a draft of the RFQ - this step could take 2 months to complete, the preliminary goal is to present a draft of this at the July 17th committee meeting

- Review statute 25A-11C and 25A-11I for minimal requirements and to fully understand how an RFQ differs from an RFP
- Determine a purchasing agent, finance agent and attorney from the town who could be available to assist with the preparation of the RFQ
- Work with attorney to determine additional language to be added to the RFQ (the bid document can require there be no affect on the budget or that there be a

positive cash flow or that the ESCO conduct an audit on the buildings as part of its response or request that water conservation should/can be included, for example)

Step 6 – Develop a scoring system for bids – aiming for July

Step 7 - Present the draft of the RFQ to town officials, the school board, etc.; get buyoff from the town – aiming for July

- Incorporate comments from presentation
- Finalize the RFQ
- Advertise the RFQ in newspapers, etc.

Step 8 – ESCO Audits – aiming for August

- Assist ESCO's in getting access to the buildings that are featured in the RFQ to do audits develop responses

Step 9 – Evaluate responses and hire ESCO – aiming for September

- QC calculations of energy savings/review contractor's annual reports on achieved savings and variance against guarantees
- Review the decision with town officials, the school board, etc.
- Get DOER approval, if needed
- Negotiate final terms of contract
- Agree on guaranteed energy savings
- Determine timing to start and complete the needed work
- Recommend that Selectmen to sign the contract

Step 10 – Coordinate with ESCO to complete work – TBD