

Energy Services Performance Contracting

Performing Energy Efficiency
Upgrades in the Public Sector



Introduction

We are proposing to enter into a performance contract with an energy services company (ESCO), which will accomplish energy savings, and therefore cost savings, over a 10-year period. The savings, or energy equity, generated over this period will be used to pay for the renovations.

This will avoid invading our capital budget, already over-stretched, yet will accomplish many long overdue improvements.



Definitions: What is an ESCo?

“An Energy Service Company (ESCo), or Energy Services Provider (ESP) is a business that **develops, installs, and finances** projects designed to **improve the energy efficiency and maintenance costs** for facilities. The ESCo acts as project developer for a wide range of tasks and **assumes the technical and performance risk** associated with the project.”



Definitions: Performance Contract

“A design-build energy plan that is funded by the savings generated by newly installed technologies and/or operating procedures. The length of the contract with an ESCo is usually 7-10 years, and savings are guaranteed for the life of the contract.”

(Of course, savings continue after the contract period.)



Examples of Energy Conservation Measures

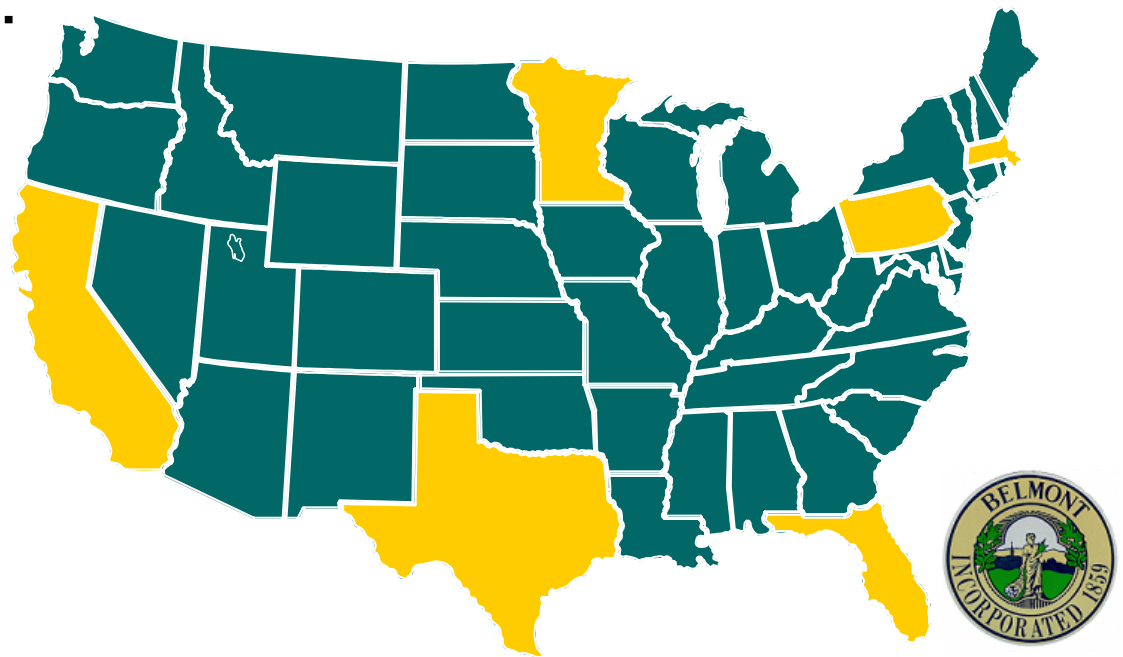
- Lighting and lighting controls
- Boiler/burner replacements
- Improve HVAC controls and systems
- Water conservation
- Pool Covers



History and Growth of Industry

Began in the late 1970's, in response to the oil crisis of 1973 and the Iranian Revolution of 1979. Many states support energy savings projects, including:

- Massachusetts
- Pennsylvania
- California
- Florida
- Minnesota
- Texas



Local Energy Saving Projects

Many municipalities and institutions throughout the country have implemented energy savings contracts, including the following in Massachusetts:

Public Schools: Duxbury, Marshfield

Colleges: MassBay Community College in Wellesley, Mt. Wachusett Community College in Gardner, Fitchburg State College

Other: Tewksbury Hospital, Cambridge Housing Authority, Fall River Housing Authority, New Bedford Housing Authority

In Massachusetts, the following have implemented energy saving contracts: 15 housing authorities, 56 communities, and 26 State buildings throughout the Commonwealth.



Description of the Belmont Process

Began in January 2003, with formation of the ad hoc group of Town staff and citizens, which has grown, and now includes:

Roger Colton
Frizzell

Jenny Fallon

Kristina

Kevin Looney

Bob Martin

Tim McCarthy

Gerry Missal

John Small

Paul Solomon

Recently, Pat Bruschi and Karen Pressey from the Permanent Building Committee have joined us. We have had help from Eileen McHugh of the MA DOER, and a consultant, John Snell, provided by the DOER. Susie Freiner, Barbara Hagg, and Maureen Connors have attended recent meetings.

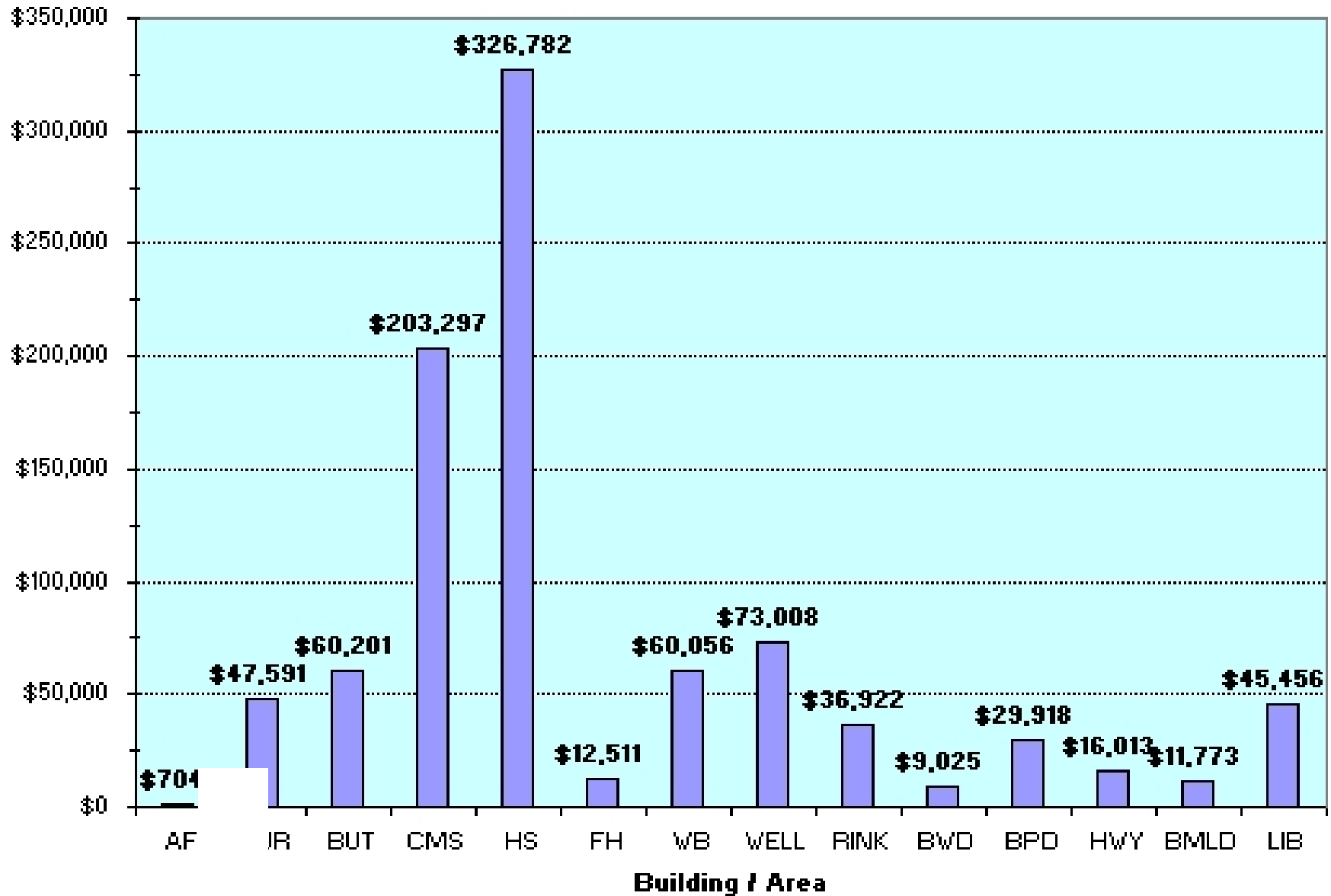


RFP Process – Buildings Included

- High School
- Middle School
- Winn Brook Elementary
- Burbank Elementary
- Wellington Elementary
- Butler Elementary
- Water Department
- White Field House
- Skating Rink/Tennis Court
- Memorial Library
- Light Department (40 Prince St.)
- Police Station
- Highway Garage



Total Utility Use by Building



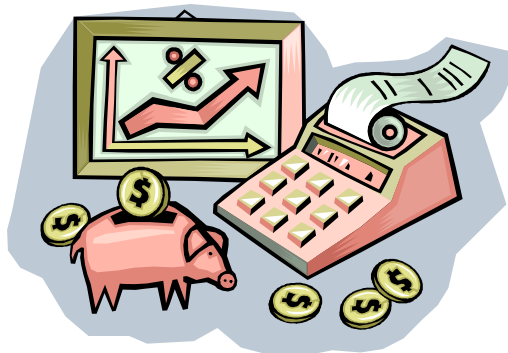
RFP Process – Timetable

Send to Central Register	1/2/04	Thursday
RFP Release Date	1/14/04	Wednesday
Pre-bid Conference Tour	1/28-29/04	Wed. – Thurs.
Vendor Questions Due	2/12/04	Thursday
Answers Due to Vendors	2/20/04	Friday
Proposal Submission	3/18/04	Thursday
Interviews	4/15/04	Monday – Friday
Selection of Contractor	5/6/04	Thursday



Project Scope

- Range of \$1 million to \$3.6 million of capital improvements
- Projected annual savings of \$150K to \$250K for 10-year payback measures



Approval Process – Next Steps...

1. Warrant Committee action on the article authorizing the Moderator to establish a building committee for this project (Article 4, Special Town Meeting on 4/28/04)
2. Town Meeting approval of Article 4 on 4/28/04
3. Building Committee communication with the Board of Selectmen, Board of Library Trustees, School Committee, and Capital Budget Committee
4. Subsequent Town Meeting approval of funding



Advantages of a Performance Contract (and/or an ESCo)

- ✓ Energy efficiency expertise
- ✓ Financial expertise
- ✓ Construction management expertise
- ✓ Monitoring and verification of guaranteed savings (risk management)
- ✓ Opportunity cost of NOT going forward



Issues to be Resolved

Funding mechanism – we need full understanding of costs and benefits of each option:

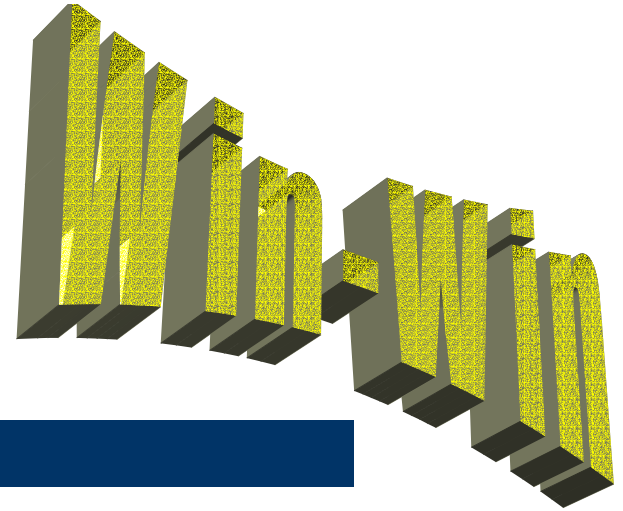
- Internal financing
- Tax-exempt lease purchase (Municipal Lease)
- Bond
- Etc.

(The decision on the energy conservation measures to be implemented will follow the Detailed Energy Audit, and will determine the amount of funding required. This will be Phase 1 of the project.)

- * Interface with HS Master Planning process
- * “Human Resources” required by the Town



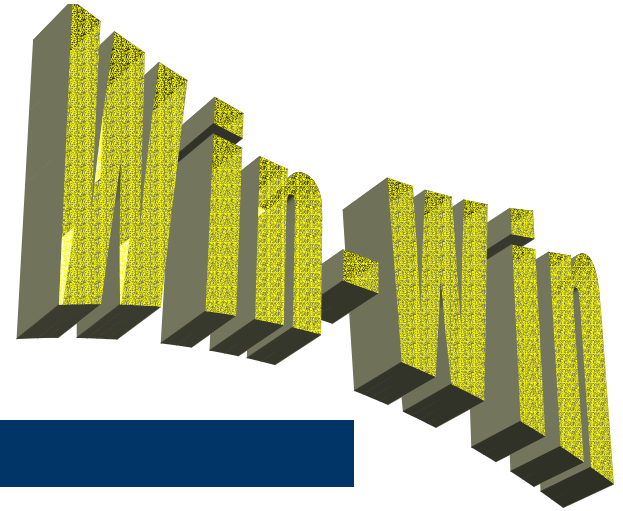
Closing Statements



- No use of capital budget funds
- Annual debt service covered by savings in the utility lines of the operating budget
- No debt exclusion or override required
- Long-needed and delayed renovations accomplished in short time period.
(Realizing energy savings quickly supports the financing structure.)



Closing Statements



- Experienced energy professionals will audit and monitor savings
- Town personnel will be trained in the use of new equipment and techniques
- Concept of performance contracting has 20-year history of success throughout the US
- The working and learning environments in our buildings will be improved.

