

ENERGY PERFORMANCE CONTRACTING RFP PROPOSAL EVALUATION

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EVALUATION PHILOSOPHY OVERVIEW

- 1. If project performance cannot be significantly impacted via negotiation of a criterion, it becomes a key criterion.**
- 2. There are no perfect ESCOs, but some have far greater capability, experience, and consistent quality performance than others.**

EVALUATION PHILOSOPHY

OVERVIEW *(continued)*

3. Performance capability is distributed on a normal distribution curve.
4. ESCOs are being compared to each other on specific criteria primarily and secondarily to a set of standards. How do other ESCOs compare to the best ESCO for a particular criterion?

EVALUATION PHILOSOPHY OVERVIEW *(continued)*

5. The goal of the evaluation process is to pick the best ESCO to implement the specific project.
6. Evaluators should focus on differences that distinguish ESCOs in their technical capability to perform.
7. There are a lot of specific points of comparison, so evaluators are encouraged to keep written records of their notes on each ESCO.

EVALUATION PHILOSOPHY OVERVIEW *(continued)*

8. Don't emphasize a glossy format at the expense of the technical content and qualifications in the proposal.
9. Client references are critical; they are the only independent consumer report type of data on ESCO performance.
10. Learning by doing is the best evaluation training approach.

BEST VALUE APPROACH TO EVALUATION

- Greater flexibility to compare the strong and weak technical factors of proposals
- Allows selection of the best approach from a wide range of solution options
- Increases the likelihood of picking the highest quality proposal
- Takes advantage of the experience and technical knowledge of the selection committee

EVALUATION PROCESS OBJECTIVES

Transparency

Objectivity

Accuracy

Well defined criteria

Efficiency

Technical competency

Consistency

Fairness

Effectiveness

EVALUATION PROCESS AND METHODOLOGY

- Evaluators are advised that unjustified extreme rankings will be a red flag for any ESCO pursuing a bid protest under FOIA
- Evaluators are strongly encouraged to avoid putting people on the evaluation committee who are unqualified
- All evaluators participate in evaluation training prior to serving on evaluation committees
- Evaluation team members are trained to select ESCOs with ALL the necessary capabilities

EVALUATION PROCESS AND METHODOLOGY *(continued)*

- Evaluation team members cannot discuss the substance of the evaluation process with the competing ESCOs during the process
- Following the evaluation process, unsuccessful ESCOs should receive a debriefing on how they can improve, if they request one

EVALUATION PROCESS AND METHODOLOGY *(continued)*

- **Quality of evaluation, rather than the quantity of evaluators, is the goal**
- **Evaluators are instructed to exercise due diligence and responsibly review and objectively compare qualifications**
- **Evaluators are advised that they should assume that their rankings might be disclosed in a future FOIA request**

EVALUATION PROCESS AND METHODOLOGY *(continued)*

- **Dividing the evaluation criteria between team members according to relevant expertise, improves the efficiency and effectiveness of the evaluation process**
- **It may be educational and helpful for project ownership, to allow non-evaluation project staff to observe some oral interviews and read proposals**

ESCO EVALUATION: Non-Negotiable Criteria

Experience

- Technical qualifications and experience of ESCO's personnel
- Experience with implementing energy savings
- Quality of project history and documented savings performance of past projects
- Quality of customer service on past projects
- Reliability of equipment performance on past projects
- Quality of technical skills on past projects

ESCO EVALUATION: Non-Negotiable Criteria *(continued)*

Project Management

- Ability to effectively manage past project construction
- Ability to manage equipment repairs, regular service, and emergencies effectively on past projects
- Quality of ESCO's communication skills

ESCO EVALUATION: Non-Negotiable Criteria *(continued)*

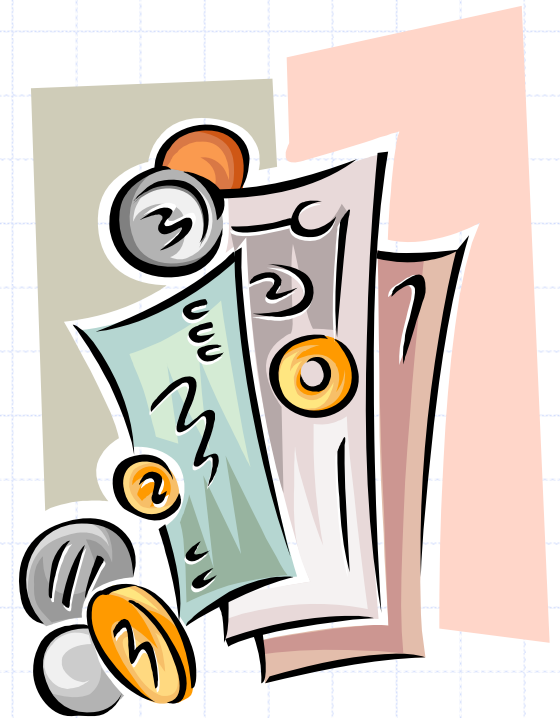
Technical

- **Comprehensiveness of technical approach to past projects**
- **Ability to plan and complete all schedule phases of past projects**
- **Quality of operations and maintenance services on past projects**

ESCO EVALUATION: Non-Negotiable Criteria *(continued)*

Financial

- Financial soundness and stability of the ESCO
- Demonstrated ability to provide or arrange project financing on past projects



ESCO EVALUATION: Negotiable Criteria

Project Management

- **Comprehensiveness of maintenance, monitoring, and measurement and verification services**
- **Proposed O&M strategies**

ESCO EVALUATION: Negotiable Criteria *(continued)*

Technical

- Quality of investment grade technical energy auditing
- Quality of approach to project commissioning
- Quality of approach to calculating baseline energy consumption
- Quality of approach to savings measurement and verification
- Quality of provisions for training facility staff
- Quality of customer savings reporting

ESCO EVALUATION: Negotiable Criteria *(continued)*

Financial

- Reasonableness of financial assumptions for the proposed project
- Details of proposed financing arrangement

UNDERSTANDING THE EVALUATION TEAM FUNCTION

FACT: Few team members will have the range and depth of technical competence to evaluate all areas of your proposal

IDEA: Write your proposal so that specific sections reviewed by a team member assigned those criteria can stand on their own

UNDERSTANDING THE EVALUATION TEAM FUNCTION

(continued)

FACT: Most team members will spend a maximum of 5-10 hours reviewing and ranking your specific written proposal on various criteria

IDEA: ESCOs should write proposals which are user friendly, informative, interesting, and concise where appropriate

UNDERSTANDING THE EVALUATION TEAM FUNCTION

(continued)

FACT: Evaluation team members have been trained to look for certain data on required forms in the RFP

IDEA: Use the forms provided and fill them out completely-- this can not be overemphasized

UNDERSTANDING THE EVALUATION TEAM FUNCTION

(continued)

FACT: If outside technical consultants are on the evaluation team, they are likely to have significant expertise

IDEA: Provide adequate technical detail in your M&V, commissioning, and savings calculation sections or you may fail to persuade them of your capabilities in these areas. If your project scope is too limited, they will notice

UNDERSTANDING THE EVALUATION TEAM FUNCTION

(continued)

FACT: Facilities staff who will directly receive training services and use the O&M manuals you provide, will be impressed with higher quality detailed proposals

IDEA: Provide them attractive details

RANKING GUIDELINES

- **Low numeric rankings should be given when the information provided is incomplete, non-responsive, or of poor quality.**
- **A maximum numeric point ranking of should only be given to truly superior performance compared to other ESCO written submissions. It should be given very rarely.**

RANKING GUIDELINES *(continued)*

- **If evaluators find that most of their written rankings are in the middle, they are not making effective comparisons between ESCOs. They are advised to carefully review the submissions for differences in quality.**

RANKING GUIDELINES *(continued)*

- **“Unable to rank” means the evaluator has insufficient personal knowledge or experience to evaluate the data provided. This should be a rare occurrence unless the evaluation task has been improperly assigned to someone with inadequate training and/or background.**
- **This ranking category does not hurt the ESCO’s average score on this criteria.**


HOW TO EMPHASIZE BENEFITS

- **Reliable and persistent long-term energy saving project performance**
- **Enhanced local economies through the ESCO's use of local subcontractors**
- **Decreased equipment repairs and lower maintenance costs**

HOW TO EMPHASIZE BENEFITS



- **Freed-up budget dollars to fund other activities**
- **Increased productivity from improved indoor air quality (IAQ) and building comfort conditions**

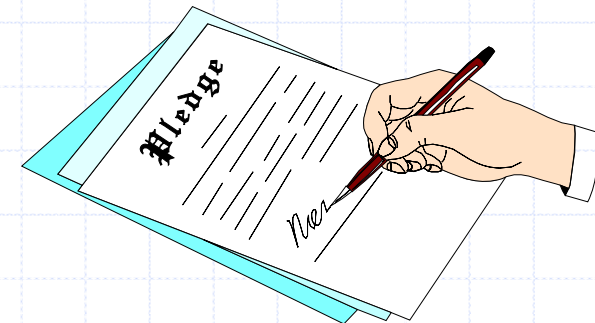
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- **Optimized equipment performance through project commissioning**
 - **Better overall management and control of facility**

BENEFITS

- **Integrated project analysis, design, and construction reduces the risk of lost savings opportunities and schedule delays**

BENEFITS OF PERFORMANCE CONTRACTING *(continued)*

- Up-to-date training and knowledge for facility operating personnel reduces the risk of project non-performance
- Ability to select services and materials based upon quality and value, rather than on lowest first cost, reduces the risk of poor equipment performance



Capital Appropriations Funded Projects

- Equipment specific
- Lowest first cost equipment selection
- Slower implementation resulting in lost opportunities (2-3 years)
- Plan and spec gives a more rigid design

ESCO Financed Projects

- Comprehensive scope
- Best value LCC equipment selection
- Faster delivery speed
- Design build produces flexible and innovative design solutions

HIDDEN SAVINGS FROM ENERGY EFFICIENCY

- Annual avoided line losses of electrical energy of 8% for metered kWh saved for large commercial customers valued at 2 cents/kWh
- Annual capacity cost savings for 100% of metered incremental kW of demand for generation, transmission and distribution by the local utility valued at \$164/kW

TYPICAL ANNUAL SAVINGS (PER MILLION SQ. FEET FROM A UNIVERSITY PC PROJECT)

kWh savings: $3,450,000 \text{ kWh} \times 4.5\text{¢/kWh} = \$155,250$

kW savings: $5,500 \text{ kW} \times \$10/\text{kW} = \$55,000$

Fuel savings: $283,000 \text{ therms} \times 55\text{¢/therm} = \$155,650$

Operations and maintenance savings $\$25,000$

Utility and O&M total savings $\$390,900$

TYPICAL ANNUAL SAVINGS (PER MILLION SQ. FEET FROM A UNIVERSITY PC PROJECT) *(continued)*

- **Utility line losses avoided: 276,000 kWh
x 2¢/kWh = \$5,520**
- **Annual capacity costs G,T&D: 460 kW x
\$164/kW = \$75,440**

ECONOMIC ANALYSIS OF LONG TERM VALUE CREATED BY ESCO PROJECTS OVER 15 YEARS

(X = average annual utility cost savings)

Employee health, productivity and comfort	150x
Cost and consumption savings	15x
Economic development benefits	5x
Utility systems line loss and capacity savings	5x
Avoided cost of delay	2x

ECONOMIC ANALYSIS OF LONG TERM VALUE CREATED BY ESCO PROJECTS OVER 15 YEARS *(continued)*

(X = average annual utility cost savings)

Operation and maintenance savings	x
Direct purchase of major equipment by ESCO	0.2x
Avoided environmental compliance costs and air emissions	0.5x
TOTAL VALUE ESTIMATE	178.7x

EVALUATING CUSTOMER MOTIVATIONS AND NEEDS

- **Need to upgrade their facilities**
- **Have concerns about utility cost savings**
- **Need to solve major O&M problems**
- **Have limited access to appropriations**
- **Experience recurring comfort problems**
- **Are willing to spend their own capital budget**

EVALUATING CUSTOMER MOTIVATIONS AND NEEDS

(continued)

- Willing to select based on best value LCC solution
- Understand economic/technical tradeoffs
- Willing to use L-P financing
- Need for credible information on technical solutions
- Concern about the cost of delay
- Concern about major equipment failures

CUSTOMER COMMUNICATION

- **Use every communication opportunity to educate them on the benefits and process**
- **Tell them something useful that they don't already know**
- **Do not engage in prohibited private communication with members of the evaluation team**

CUSTOMER COMMUNICATION

(continued)

- Do not try the patience of agency staff with excessive requests for data and questions during the procurement
- Do not repeatedly request procurement results prior to formal notification
- Do not attempt to discredit your competition – it diminishes the credibility of the industry

WRITTEN PROPOSAL GUIDELINES

- **Stress specific benefits of your proposal**
- **Do not include a lot of generic boilerplate language**
- **Information provided should be something that will show them why you are the best qualified to solve their problems**
- **Preliminary technical proposals should be as customized as possible, with a comprehensive scope**

WRITTEN PROPOSAL GUIDELINES

(continued)

- Customers are not impressed by massive tables of tiny type, but by user-friendly data tables that are specific, simple, accurate, clear, and readable
- Recognize you have multiple audiences for the RFP and segment your presentation to accommodate different needs for levels of detail on technical proposals

WRITTEN PROPOSAL GUIDELINES

(continued)

- **Speak your audience's language where possible**
- **Demonstrate you have the full range of capabilities required to implement the project**
- **Use testimonials effectively by providing technical details on how you solved specific similar problems for a similar client**

WRITTEN PROPOSAL GUIDELINES

(continued)

- Use graphics, tables, and charts to effectively communicate key data
- Use comparisons to educate evaluators on different technical options:
 - Cost effectiveness
 - O&M benefits
 - Reliability of performance
 - Environmental benefits
 - Health and comfort impacts
 - Flexibility of control

WRITTEN PROPOSAL GUIDELINES

(continued)

- **Be brief and to the point, but provide all relevant information**

- **Describe your market advantages relative to your competitors:**
 - **Innovative services**
 - **Technical quality**
 - **Specific engineering experience**
 - **Staff qualifications**

PRESENTING YOUR TRACK RECORD

- Provide project savings data in energy units and dollars
- Provide only projects with at least one full year of performance data
- Projects with three or more years of actual performance data are the best
- Provide projects of a similar type and scope to those facilities described in the RFP

PRESENTING YOUR TRACK RECORD

(continued)

- Provide enough data to show how your experience with that project will help here
- Provide only projects worked on by the staff assigned to this project!
- Do not provide projects your staff worked on while working for other ESCOs
- Provide accurate contact information and project description information

CONTENTS OF TECHNICAL PROPOSALS

- **Benefits of the measures**
- **How will it mesh with existing equipment**
- **Impacts on O&M**
- **When possible, the equipment brand and why you prefer it**
- **Summary of any environmental benefits or costs**
- **Savings data in physical units and either present or reference your calculation methodology**
- **Easy-to-read calculation assumption summary tables**
- **Measure-specific sections in your M&V and commissioning proposals**

FINANCIAL CONSTRAINTS ON PROJECT SCOPE

- Try to determine from the RFP, state laws, and written questions, which savings the customer is willing to count
- Be sure your supporting calculations for O&M savings can pass a third-party review
- Be sure to claim O&M savings which can be effectively documented

FINANCIAL CONSTRAINTS ON PROJECT SCOPE *(continued)*

- Be wary of claiming internal labor savings unless the customer blesses it
- Do not assume that a customer will not contribute any of their own capital because they do not know the full benefits of your proposal when the RFP is issued
- Be very wary of claiming avoided capital costs unless the customer approves it and it can be well documented

UNDERSTANDING CUSTOMER FACILITIES

- **Do not base your proposal on outdated drawings or documents**
- **Get up-to-date survey data on building conditions**
- **Understand their history, current plans, and prospects for funding energy projects through their budget process for capital appropriations**

UNDERSTANDING CUSTOMER FACILITIES *(continued)*

- Use the RFP, addenda to the RFP, and responses to your questions about the RFP to get as much detail on customer motivations as possible
- Recognize that the facility improvement priorities of field staff and higher level agency decision makers may not always be the same

WHAT CUSTOMERS LEARN FROM ORAL INTERVIEWS

- Their goal is to get as complete an understanding of ESCOs capabilities and their specific proposals as possible.
- Evaluators are instructed to prepare detailed technical questions in advance of the interview to send to the ESCOs for written responses.

WHAT CUSTOMERS LEARN FROM ORAL INTERVIEWS *(continued)*

- Additional details on the technical capabilities of design staff, technical analysis, and project costs will be sought by evaluators.
- The goal of the oral interview is to allow evaluators to get complete responses to their questions, not to listen to canned presentations from ESCOs.

PROCEDURES FOR ORAL INTERVIEW RANKING

- Evaluators are instructed to rank after each interview - **IN PENCIL**
- After all ESCOs are interviewed they can discuss, re-rank and finalize rankings
- Evaluators are instructed to use standardized ranking forms

ESCO STRATEGIES FOR ORAL INTERVIEWS

- Establish rapport by talking specifically about their facilities in a way that demonstrates your accurate knowledge of their problems
- Use the interview as an opportunity to educate, but be wary of arrogance: chemistry counts
- The goal is to effectively communicate your capabilities and your specific technical solutions proposed

ESCO STRATEGIES FOR ORAL INTERVIEWS *(continued)*

- The more accurate you are in defining realistic cost-effective solutions to their perceived problems, the more they will trust you
- Bring people to the interview who can elaborate on your written responses to questions
- They want to hire the smartest and most capable team – so bring them

PROJECT MEASUREMENT AND VERIFICATION

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HOW WILL YOUR M&V PLAN PROVIDE THESE BENEFITS?

- **Accurately assess cost avoidance for a project**
- **Verify that the savings guarantee is met**
- **Allocate performance risks to the appropriate parties**
- **Reduce project performance uncertainties**
- **Document emissions reductions from energy savings**

HOW WILL YOUR M&V PLAN PROVIDE THESE BENEFITS? *(continued)*

- Quantify improvements in indoor environmental quality
- Find additional savings over the term of the contract
- Give the agency financial justification for their investment
- Give ESCOs a feedback mechanism on their quality of engineering

HOW WILL YOUR M&V PLAN PROVIDE THESE BENEFITS? *(continued)*

- Maximize persistence of utility consumption and cost savings
- Reduce operations and maintenance costs (e.g., automatic dial-up alarms)
- Reduce utility and equipment performance data collection and analysis costs (e.g., utility rate analysis and load profiling)

HOW WILL YOUR M&V PLAN PROVIDE THESE BENEFITS? *(continued)*

- Provide benchmarking data for cost reductions in similar buildings
- Improve equipment reliability and optimize system performance (e.g., load management)

HOW WILL YOUR M&V PLAN PROVIDE THESE BENEFITS? *(continued)*

- Provide valuable management information for building cost accounting and budget forecasting
- Provide the data required for savings or baseline adjustments



PROJECT COMMISSIONING

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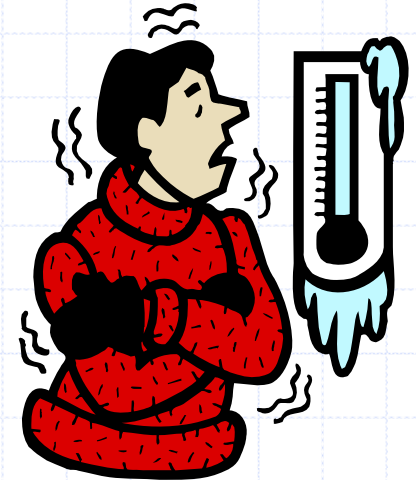
WHAT IS PROJECT COMMISSIONING?

Commissioning of energy measures is crucial to ensure that energy savings are achieved. Most performance problems with measures can be caught and corrected with proper commissioning



HOW TO SELL THE BENEFITS OF COMMISSIONING TO YOUR CUSTOMERS

- Results in proper quantities of air and water delivered to heating and cooling equipment for optimum savings, operation, control and comfort
- Verifies controls calibration and measures accuracy so that individual system components will work together as a “tuned” system to maximize savings



HOW TO SELL THE BENEFITS OF COMMISSIONING TO YOUR CUSTOMERS *(continued)*

- Helps train building operators to understand the system capabilities, limitations, operating characteristics, and procedures, and provides the knowledge to accurately troubleshoot
- Provides the documentation of a self-sustaining training program for new personnel, thus reducing the risks to savings that result from staff turnover

HOW TO SELL THE BENEFITS OF COMMISSIONING TO YOUR CUSTOMERS *(continued)*

- Identifies aspects of a systems design or installation that may be responsible for unsatisfactory savings performance
- Ensures complete and orderly systems documentation. This is done by recording the correct start-up, shut-down, seasonal change over, adjustment, regulation, and data logging procedures

HOW TO SELL THE BENEFITS OF COMMISSIONING TO YOUR CUSTOMERS *(continued)*

- Helps ESCOs and owners achieve guaranteed savings since commissioning verifies proper building equipment installation and performance
- Extended equipment life due to proper design and operation
- Provides a healthy building by improving indoor air quality



WHY COMMISSIONING HELPS DURING SCOPE DEVELOPMENT AND PROJECT DESIGN

- Commissioning agent's review of the plans, before they are sent to the contractor, can:
 - Improve the design details for ease of future O&M
 - Improve the quality of construction specifications for functional performance
 - Harmonize the conceptual EMS design with building operator needs