Guaranteed Energy Savings Program (GESP)
Facility Issues

- Growing Deferred Maintenance
- Occupant Comfort and Productivity
- Health, Safety and Environmental
- Energy Price Uncertainty
- Limited Budgets and Staff
Energy Savings Performance Contract

• Guaranteed Energy Savings Agreement under statute §16C.144
• Projects are completed creating energy, operational, and maintenance efficiencies.
• Accumulated cost savings are used to pay for all project and financing costs
• No net cost to public entity
• Performance-based contract between a public entity and a qualified “Energy Services Company” (ESCO).

• The ESCO “guarantees” that annual cost savings will meet or exceed the annual payments due under the agreement.

• If savings are not achieved, the ESCO is required to reimburse the public entity for the shortfall.

• To achieve the “guaranteed” savings, the ESCO assumes the construction and on-going performance risk of the project.
Typical Projects

Architectural / Structural – roofing, doors, insulation, weather-stripping, window treatment

Electrical – lighting retrofits, emergency power, power and distribution, IT/communications networks, life safety systems

Mechanical – HVAC systems, plumbing and drainage, energy management and building controls

Property/ Site – underground utilities, lighting improvements, swimming pools, ice arenas

Renewable Energy – photovoltaic (PV) solar, thermal solar, wind, biomass, hydroelectric

Water and Waste – water purification systems, water sewage facilities, landfill gas capturing, waste utilization

Operational Best Practices – staff training and development programs associated with energy conservation
Typical ESPC Process

- Opportunity Assessment
- Energy Savings Audit
- Selection of projects
- Project Development
- Project Implementation
- Measurement and Verification
## ESPC Contracting

<table>
<thead>
<tr>
<th>State GESP – MS 16C.144</th>
<th>Muni – MS 471.345</th>
<th>School – MS 123B.65</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Master Contract Vetted by Attorney General’s Office, Dept. of Admin., and Dept. of Comm.</strong></td>
<td>ESCO Provided Contract Document</td>
<td></td>
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<tr>
<td><strong>Open Book Pricing</strong></td>
<td>No Prescribed Pricing Methodology</td>
<td></td>
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<tr>
<td><strong>Maximum Mark-ups and Fees</strong></td>
<td>No Prescribed Mark-ups or Fees</td>
<td></td>
</tr>
<tr>
<td><strong>Competitive Bidding of Trade Work and Equipment with Pre-qualified Subs and Spec’s</strong></td>
<td>Trade Work &amp; Equipment typically negotiated with Favored Subs, Manufactures and Distributors</td>
<td></td>
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<tr>
<td><strong>Savings Guarantee requires savings be met each year of the guarantee</strong></td>
<td>Savings Guarantee typically allows excess savings to be carried forward</td>
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<tr>
<td><strong>Measurement &amp; Verification Guidelines</strong></td>
<td>No Measurement &amp; Verification Guidelines</td>
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<tr>
<td><strong>Startup &amp; Commissioning Guidelines</strong></td>
<td>No Startup and Commissioning Guidelines</td>
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<tr>
<td><strong>State Provides Technical, Financial &amp; Contractual Assistance</strong></td>
<td>No State Assistance Provided</td>
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</table>
GESP Goals

• Promote awareness and implementation of energy efficient and renewable energy measures in public facilities

• Develop and administer Master Contract for Energy Savings Performance Contracting Services for use by public entities

• Pre-qualify Energy Service Companies (ESCO) for participation in GESP.

• Provide technical, contractual and financial assistance to public entities
GESP Assistance

- Evaluating facilities for potential energy efficiency and renewable energy investment opportunities.
- Analyzing the available financing options.
- Soliciting and awarding site-specific RFPs from ESCOs to perform Energy Savings Performance Contracting Services.
- Evaluating the technical and financial feasibility of ESCO proposals.
- Negotiating and awarding of contracts with ESCOs.
- Project management oversight during construction.
- Providing technical assistance to ensure Measurement and Verification (M&V) Plan is properly performed.
## GESP Process

<table>
<thead>
<tr>
<th>Process Step</th>
<th>Activity</th>
<th>Milestone</th>
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</thead>
<tbody>
<tr>
<td>1 – Interest</td>
<td>Meetings with DER to review GESP</td>
<td>Request to proceed with qualifying</td>
</tr>
<tr>
<td>2 – Opportunity Assessment</td>
<td>Review B3 data, facility needs, issues and goals</td>
<td>Interagency Agreement - or - Joint Powers Agreement</td>
</tr>
<tr>
<td>3 – Define Project Goals</td>
<td>Define EO 11-12 compliance goals, facility and organizational goals, Identify funds for IGA</td>
<td>Issue Site-Specific RFP</td>
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<tr>
<td>4 – ESCO Selection</td>
<td>RFP evaluation and ESCO selection</td>
<td>Issue Work Order Contract</td>
</tr>
<tr>
<td>5 – Project Development</td>
<td>Develop project scope, cost, savings and funding</td>
<td>Issue Work Order Contract Amendment</td>
</tr>
<tr>
<td>6 – Project Implementation</td>
<td>Installation of measures</td>
<td>Certification of Final Completion and Acceptance</td>
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</table>
Pre-qualified Contractors

The State issued an RFP for Contractors (ESCOs) to pre-qualify to provide Energy Savings Performance Contracting Services to state institutions. The following eleven Contractors were qualified and have entered into a Master Contract with the Department of Commerce:

- Ameresco
- ConEdison
- Harris Companies
- McKinstry Essention
- Siemens
- Energy Services Group, subsidiary of Honeywell
- Chevron
- CTS
- Johnson Controls
- Noresco
- Trane

The Master Contract provides:

Contractor’s Duties, Contractor’s Fees, Measurement and Verification Guidelines, System startup and commissioning guidelines, and general conditions.
Interagency Agreement
The Interagency Agreement (IA) is issued by the Department of Commerce. An IA is required for State Agencies to access the GESP Master Contract.

Joint Powers Agreement
The Joint Powers Agreement (JPA) is issued by the Department of Commerce. A JPA is required for Local Governmental Units and Independent School Districts to access the GESP Master Contract.
Site-Specific RFP

The Site-Specific RFP is issued by the governmental unit for the purpose of selecting one ESCO from the pool, who they determine is best suited to provide ESPC Services for their site.

The Site-Specific RFP also provides for a second round of competition in which the responders may offer lower markups, overheads and fees for the specific site, than those they agreed to in the Master Contract.

The Site-Specific RFP template is provided by the Department of Commerce. Site specific data is added by the governmental unit.
GESP Work Order Contract

The Work Order Contract is issued by the governmental unit to the selected ESCO for the purpose of conducting an Investment Grade Audit (IGA) and developing the Energy Savings Performance Contract project proposal.

This Work Order enables the ESCO to perform design and engineering services that are required to provide guaranteed maximum pricing and guaranteed savings for the proposed Energy Conservation Measures included in the project proposal.

This is also when the ESCO performs necessary pre-installation measurements and proposes their plan for the Measurement and Verification of savings. Assumptions agreed to in this process form the basis of the Energy Savings Performance Contract and are added as exhibits to the Work Order Contract via Amendment.
GESP Work Order Contract Amendment

The amended Work Order Contract becomes the Energy Savings Performance Contract, also referred to in statute as the Guaranteed Energy Savings Agreement.

Exhibit C - Savings Measurement and Verification
Exhibit D - Savings Guarantee
Exhibit E - Equipment Installed by Contractor
Exhibit F - Construction and Installation Schedule
Exhibit G - System Startup and Commissioning Plan
Exhibit H - Standards of Comfort
Exhibit I - Training by Contractor
Exhibit J - Project Pro Forma
Exhibit K - Rebates, Incentives and Grants
Exhibit L - Lease Purchase Agreement
Exhibit M - Contractor’s Measurement and Verification Services
Exhibit N - Institution’s Maintenance Responsibilities
Attachment 4 - Investment Grade Audit Report
Attachment 5 - Certificate of Substantial Completion and Acceptance
Attachment 6 - Certificate of Final Completion and Acceptance
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Website:
http://mn.gov/commerce/energy/topics/financial/Energy-Savings-Program/