

Disclaimer:

The State Energy Office of North Carolina would like to thank the National Energy Services Coalition for allowing the use of this resource for USI participants. A great deal of work went into compiling this information into a single location. As you go through this program and/or have additional questions, please contact Reid Conway reid.conway@ncdenr.gov.



GESPC-U Lesson #102: Considerations When Contemplating GESPC

FYI: Terms and Acronyms can be found on the last page

Summary: A discussion of how to determine if GESPC may be a good option for your project.

In lesson 102 we will share some real-life situations for which performance contracting was an option for consideration.

Every year, public officials from state agency department heads, university officials, school superintendents and mayors, to county commissioners and boards must make hard decisions about where to allocate their limited resources. Nearly all of them are confronted with the same hard reality – their funding priorities must address their organization’s primary mission first, whether its teaching kids or running governments – often with little or nothing left over for other needs.

One common, but unfortunate consequence is, more often than not, much needed facility maintenance and equipment replacement projects take a back seat. Facilities and maintenance folks find themselves trying to patch together failing systems doing their best to keep things running with whatever budget money they been given and making the same replacement or modernization requests year after

year. You might say they end up applying band-aids where surgery is really needed.

One example that is common throughout the country is the case where staff was counting on its board to allocate sufficient funds to replace a failing boiler that was so old that even replacement parts had become hard to find. And then one of the school buses bus broke down. They had waited three years for appropriated funds – and now the funds weren't coming, again. They had to replace the bus – students had to get to school -- and that blew the budget for another year.

Another example is when that boiler is competing against a roof replacement or other life safety concerns of the building.

A common refrain from school superintendents is, “We either use money to make equipment repairs or give teachers a raise – and we only have one bucket of money.”

It sounds like a broken record, but its reality: there are competing budget demands for every dollar. It could be it's the increasing of employee costs, the need for new books, or a new construction project rather than addressing existing building comfort complaints, fixing malfunctioning equipment or replacing old equipment because a part is no longer available.

Another example involved an old county courthouse that still used old cast iron steam radiators for heat. It was impossible to find repair parts for the entire system. The county realized upgrading the system would result in drastic fuel cost savings, not to mention the cost savings associated with all the on-going maintenance needed to keep the system running and the occupants comfortable. This situation alone, motivated them to embark on what became a very successful, comprehensive performance contracting project.

These examples make the point that there are indeed a lot of drivers. In addition to the broken building syndrome, maybe you are charged with implementing an Executive Order to reduce greenhouse gas emissions over the next five years. Or your organization adopted new sustainability goals, or water reduction goals. The list could go on and on. Broken buildings. Unfunded mandates. Sustainability plans. Carbon or water reduction goals. Executive orders. You name it –these motivators often lead to the same conclusion – you have the need to do things that you simply don't have the money, time or staff resources to resolve.

It paints an unfortunate, but very typical picture. It doesn't matter which scenario applies to you, the bottom line is often the same: your budget often doesn't stretch far enough to cover all your needs or goals.

So, at this point, you may wonder if performance contracting could be a viable option for your situation? What are your options? A performance contract is certainly one. What are some other alternatives? Do nothing? Wait for the money? Do little projects every year hoping the problems get fixed and perhaps generate some energy savings and you eventually catch up?

Too often though end-users are forced to make repairs in emergency situations. They are making emergency repairs and paying emergency rates. It is only too common for the performance contracting option to come under consideration when it is the solution of last resort.

But it's really so much more. It is a comprehensive, single point of responsibility solution that's guaranteed to perform and achieve its intended goal.

To re-emphasize -- it is much more than an emergency solution or option of last resort. And while performance contracting should be thought of as business as usual model in more situations it must overcome some common misunderstanding. For the concept to continue to grow there is need for greater confidence the model works, the guarantees are reliable and that the pricing and value is fair or equivalent to the traditional procurement methodologies. The time it takes to go through the process before final construction begins is long. And for NC that final approval process includes the Local Government Commission or the UNC Board of Governors and/or Council of State.

That's the goal – for performance contracting to become business as usual – because it does offer so many benefits regardless of situation. After all performance contracting has a 30-year proven track record, having stood the test of time whether as an emergency option or for a comprehensive well-planned building modernization. In nearly every state there is enabling legislation with guidance for the delivery and process. And, think about it, where else can you name a procurement vehicle that comes with a guarantee that the energy cost savings will cover the investment, thus protecting the property owner and taxpayers by mitigating their risk?

Once you feel comfortable with the information above, please open and complete the quiz below. Email your answers to Reid Conway at reid.conway@ncdenr.gov. If you have additional questions, feel free to include them as well.

Lesson 102 Quiz

1. Most public sector authorities are confronted with the challenge to prioritize existing funds for their primary mission. What sorts of items go unfunded as a result?
2. Name some drivers for energy efficiency improvements in public facilities?
3. What are the alternatives to using GESPC?
4. Name the barriers in NC that need to be improved for the GESPC concept to better used?
5. How does performance contracting separate itself from other procurement models?
6. Where can you go to ask additional questions about performance contracting?

Terms and Acronyms

3 rd Party	3 rd Party Engineer
COS	Council of State
DOA	NC Department of Administration
DPI	NC Department of Public Instruction
ECM	Energy Conservation Measure
ESA	Energy Services Agreement
ESC	Energy Services Coalition
ESCO	Energy Service Company could be interchangeable with QP
ESPC	Energy Saving Performance Contracting
GEPC	Guaranteed Energy Performance Contracting
GESPC	Guaranteed Energy Saving Performance Contracting
GS	General Statute
GU	Governmental Unit
IGA	Investment Grade Audit
IPMVP	International Performance Measurement and Verification Protocol
LGC	Local Government Commission (Housed in the Treasurer's Office)
LGU	Local Governmental Unit
M and V	Measurement and Verification
OR	Owner's Representative
OSBM	NC Office of State Budget and Management
PC	Performance Contracting
Pre-Bid	Meeting held prior to the bid opening
QP	Qualified Provider could be interchangeable with ESCO
QR	Qualified Reviewer
RFP	Request for Proposal
SEO	State Energy Office
UNC	Refers to the UNC System
USI	Utility Savings Initiative