



Finance, Administration and Oversight Committee

Action Item III-E

September 13, 2007

**Award of Performance Energy Engineering
Services Contract**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:
99848

Resolution:
 Yes No

PURPOSE

To request Board of Directors approval to award a contract for consulting services to develop a comprehensive plan to reduce energy consumption in Metro facilities.

DESCRIPTION

With the rising cost of energy, Metro seeks to reduce energy consumption costs by engaging an energy service company (ESCO). The selected ESCO will apply realistic, innovative, and thorough engineering to conduct an investment-grade audit of current energy consumption in Metro facilities.

Based on those audit results, the ESCO will work closely with Metro stakeholders to develop an Energy Savings Performance Plan to improve energy consumption in Metro facilities. That plan will:

- address each energy source and potential initiatives for reduced consumption and savings;
- develop recommendations and estimate costs to achieve savings; and
- identify programs (Federal or other) that reward implementing such recommendations.

Metro and the ESCO will negotiate agreements for implementing optimal strategies. Staff will bring those agreements back to the Board of Directors for approval.

The performance of this contract will be directed and managed by Operations Services.

Anticipated benefits are:

- Reduced energy consumption
- No net cost to Metro
- Improved employee working conditions
- Energy education and awareness
- Asset life-cycle extension and maintenance efficiencies gained due to modernization of facilities, and uniform upgrades to systems
- Pro-active management of soaring energy costs
- Demonstration of energy responsibility

FUNDING IMPACT

- Presently, Metro’s average annual electricity expense is approximately \$27 million, excluding rail power. As a result of an Energy Savings Performance Plan, Metro could potentially benefit from a 15 - 20 percent savings (\$4 - \$5 million annually) based on industry assessment. These funds will be used to pay for required capital improvements. In addition, potential savings could be realized because maintenance requirements will decrease.
- The Energy Savings Performance Plan is a cost-savings program slated to begin mid-FY08. The ESCO shall be compensated on a negotiated percentage of the energy savings. All costs will be funded through these energy and operating cost savings guaranteed by the ESCO. The period of performance shall not exceed 10 years.
- However, if after completion of the investment-grade Audit, Metro decides not to implement the Energy Saving Performance Plan, the ESCO shall receive an Audit fee of \$93,000.

Budget: FY08 Operating Budget

Project: Other Services – Professional and Technical Services

<u>Budget Information:</u>	<u>FY08</u>
Budget Amount:	\$93,000
This Action:	\$93,000
<u>Prior Obligations:</u>	<u>0</u>
Subtotal:	\$93,000
Remaining Budget:	0

However, if Metro proceeds with implementing the Energy Savings Performance Plan, the ESCO fee will be financed from guaranteed cost savings (discussed above), and there will be no budget impact.

RECOMMENDATION

Recommend Board approval to award a contract to the selected contractor for performance energy engineering services.

Award of Performance Energy Engineering Services Contract

Presented to the Board of Directors:

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Becoming an Energy Leader

- Modernizing facilities and uniform upgrades to current energy systems:
 - Providing new life to old systems and facilities
 - Increasing capacity and reliability for new assets
 - Improving maintenance efficiencies
- Managing soaring energy costs pro-actively
- Improving comfort of Metro's riders
- Improving employee working conditions
- Demonstrating energy responsibility by becoming an environmental steward
- Reducing energy consumption



Energy Engineering Performance Contract

- Guaranteed Turnkey Solution – design, construction, commissioning, financing
- Paid for from guaranteed cost savings:
 - Energy – reduced consumption and demand
 - Operational – maintenance, service contracts
 - Capital – offset future planned projects, reallocate monies
- No net cost to Metro
- Energy education and awareness
- Ongoing performance period services



Capital Project versus Performance Contract

- Capital Project

- Spec and Bid
- Lowest “First” Cost
- Individual Project(s)
- More Internal Resources Needed
- OEM Warranty Only
- Core Competency: Education
- Budget Uncertainty

- Performance Contract

- Performance Based
- Best Value, Life Cycle Cost
- Turnkey, Comprehensive, Systematic Approach
- Guaranteed for Term
- Core Competency: Energy Management
- Alternative Funding Source, May Not Be Considered Debt



Performance Contracting Approach

- The performance contract will reflect Metro's unique needs
- Open, flexible, and comprehensive
- Thorough, realistic, and innovative engineering
- Technology and brand neutral
- "Best Value" Measurement and Verification Plan
- Utilizes local subcontractors and strategic partners
- Experienced, on-site project management
- Turn-key solution with long-term follow through
- Work cooperatively and collaboratively with stakeholders



Contract Steps and Financial Process

- Technical Audit – go/no-go decision based on actual findings
- Energy Services Agreement with Consultant-Vendor
- Negotiate scope, schedule, and guaranteed utility cost savings
- Master Equipment Lease/Purchase Agreements with Bank-Lessor
- Base value includes: Consultant-Vendor services, Equipment, and Bank-Lessor fee
- Monthly payments from Utilities line of Metro's Operating Budget have principal and interest components
- Consultant-Vendor receives the principal component – but only to the extent that guaranteed savings have been realized
- Bank-Lessor earns the interest component
- On-going performance Measurement and Verification Plan to guarantee realization of energy savings



Recommendation

Staff seeks Board authority to award a contract to the selected contractor for performance energy engineering services