



Use Energy Savings to Cover Project Costs



What is Performance Contracting?

Performance Contracting is one of the most effective tools for facility-intensive businesses and institutions to upgrade aging, inefficient infrastructure and address operating problems. Energy savings from improved performance are used to cover the basic project costs.

The result: vastly improved environmental conditions for all stakeholders, combined with preservation of valuable capital dollars for other critical needs.

Any business or institution (private or public) that faces operating-budget and deferred-capital pressures should consider Performance Contracting as a potential solution.



The Dam Neck Annex of NAS Oceana upgraded HVAC infrastructure in 36 buildings and decommissioned the central steam plant by implementing geothermal water source heat pumps. The entire project was funded through operational savings.

Why Partner with Trane in a Performance Contract?

By choosing Trane as your Performance Contract partner, you can benefit from a single-source construction management approach that incorporates our extensive expertise in whole building systems - integrating equipment, control tactics and maintenance strategies with the needs of all of your stakeholders.

In the state of Virginia alone, Trane has over:

- 40 degreed engineers (24 are LEED AP's)
- 250 service technicians
- 20 digital controls technicians
- 25 construction project managers

This team offers total comfort solutions by providing:

- Equipment (both Trane and other manufacturers)
- Automated controls
- Single-source construction management
- Financial and legal support

On the local level:

- Service
- Training
- Parts & Supplies
- Performance measurement and verification

PERFORMANCE CONTRACTING



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PERFORMANCE CONTRACTING

The Process

Phase I - RFP Process for Energy Services

Companies (ESCOs)

- State RFP number SRM-2002-104 established a pool of 14 qualified ESCOs to design, install and help finance performance-based energy savings contracts directed by Governor Warner to be utilized to satisfy the energy reduction requirements of Executive Order 54.
- The RFP was written for all public bodies in the Commonwealth.
- The goal of the pre-qualified "pool" is to provide for healthy competition, preventing any one firm from being over-loaded. Refer to <http://deb.dgs.state.va.us> the Department of General Services website and click on "contracts." There you will find bio's on all the participants, including links to all the required documentation.

Phase II - ESCO Selection Phase

- The public body will select 3 or more ESCO's from the pool to provide an approach to the agency project. The selection should be based on the ESCO experience, ability to execute and to sustain the projected savings long-term.
- The "back-of-the-envelope" phase is of no cost to the public body. It provides a high-level analysis of potential energy savings and the level of investment likely required to achieve those savings.
- Typical energy conservation measures or ECM's include installing and integrating new direct digital controls systems, steam trap replacement / repair, co-generation projects, boiler/ chiller changeouts, building envelope upgrades plus lighting and water improvements.

The public body will interview one or more ESCOs and negotiate a contract with them for performing the technical or "detailed" audit phase. The ESCO will also be providing project management, developing the financial model, and assisting with the Department of Mines, Minerals and Energy (DMME) in the measurement and verification process. This process is the guarantee-management component that mitigates your risk.

Phase III - Technical (detailed) Energy Audit

- This is where your ESCO partner provides the energy audit upon which the final savings and cost scenarios will be built.
- The ESCO's technical audit must be validated by an independent third party engineering firm. ESCO's can

outsource the technical audit to satisfy this requirement.

- A Memorandum of Understanding (MOU) between ESCO and public body triggers the technical audit (see above website for copies.)
- An energy baseline is established.
- The savings totals projected in the technical audit must be at least 85% of the savings projections outlined in the back-of-the-envelope audit or the technical audit is free.
- If the project moves forward, the audit cost is rolled into the project and the financing phase begins.

Phase IV - Financing

- Ensuring financial flexibility was the cornerstone of the Performance Contracting Act and subsequent RFP. Virtually every type of equipment financing used in public and private sector business can be utilized including: Lease Purchase, Direct Purchase, Tax-exempt Lease, Third party financing arranged by ESCO, Municipal bonds, donations, and endowment funds.

Phase V - Construction

- ESCO takes on the role of project manager and works with BCOM to review construction and financial documents. Be sure your ESCO is experienced in the process.

Phase VI - Measurement & Verification

- A mutually agreed to baseline for savings calculations was established during Phase III. Here, both parties agree as to how the performance will be measured. The ESCO will define specific guidelines: they typically include detail on equipment settings that ensure the savings.
- The state is positioning the DMME to assist in the independent monitoring of consumption and savings to ensure success.

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