



25-Jan-2017

PERFORMANCE CONTRACTING – HOW TO MAKE IT WORK FOR YOU

ANNUAL CONFERENCE



BLACK & VEATCH
Building a world of difference.

ENERGY SAVINGS PERFORMANCE CONTRACTING



ENERGY SAVINGS PERFORMANCE CONTRACTING

- **Authorized by state law**
 - Agreement between Owner and ESCO to provide progressive design build of cost-savings measures, with a long-term guarantee
- **Financed by CIP, bonds, SRF, grants, lease purchase, etc.**

DELIVERY MODEL

1

**REQUEST FOR
QUALIFICATIONS**

- Qualifications-based selection
- Select team for entire project

2

**INVESTMENT
GRADE AUDIT**

- Project Goals
- Scope/Project Definition
- Preliminary Design

3

**PROPOSED ESPC
AGREEMENT**

- Guaranteed Lump Sum Price
- Guaranteed Savings

4

**PROJECT
EXECUTION**

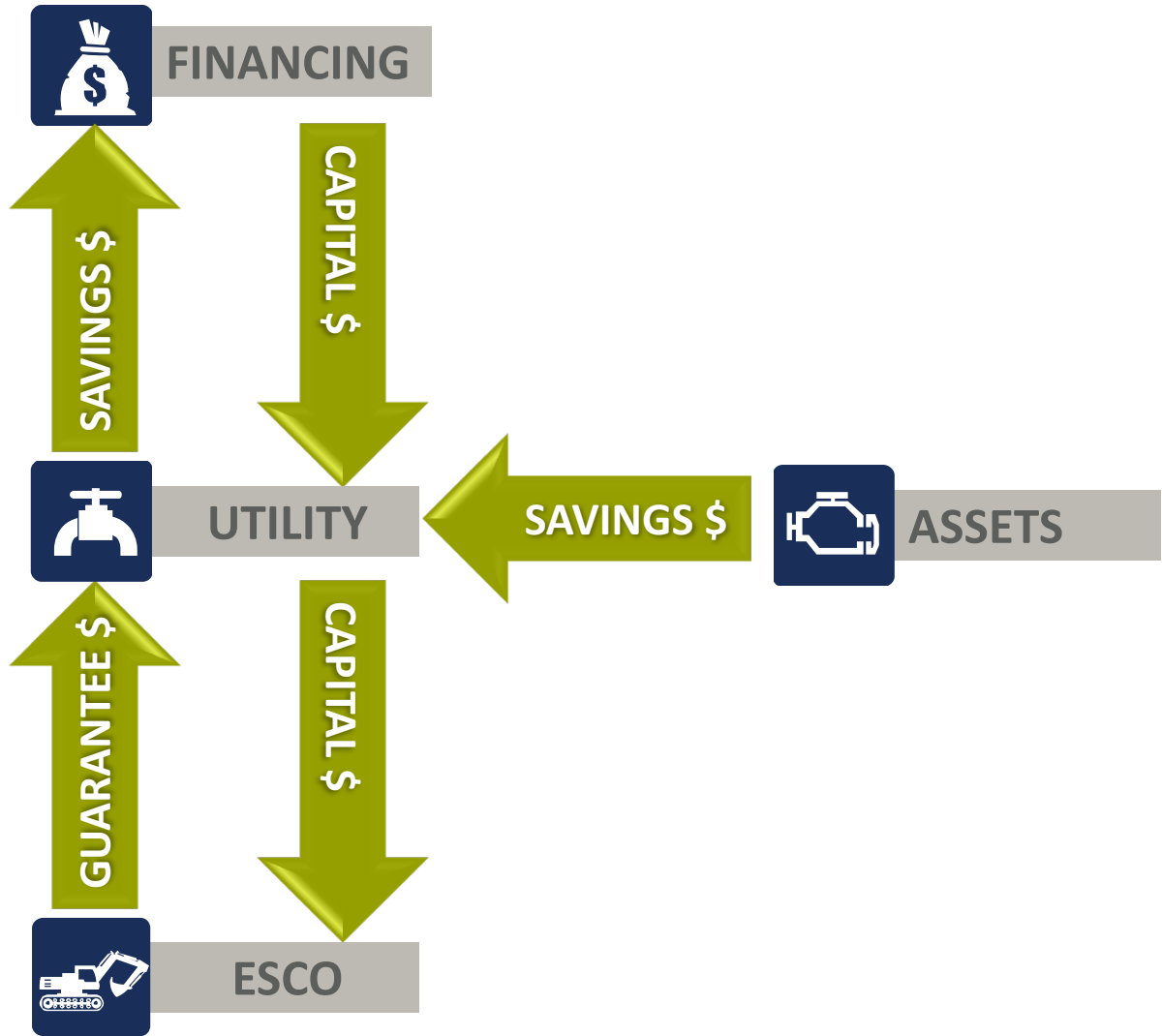
- Final Design
- Procurement
- Construction

5

**MEASUREMENT
& VERIFICATION**

- Verify Performance
- ESCO Corrects or Reimburses Underperformance

CASH FLOW



Utility owns the assets and all savings.

UTILITY'S ROLE IN SUCCESS



MAINTAIN REASONABLE EXPECTATIONS



A win-win deal is best for BOTH parties



THERE IS NO FREE LUNCH



**"Free" audits are not free
ESCO's don't have free money**

YOU GET BACK WHAT YOU PUT INTO IT



Owner participation results in the best projects.



ESCO'S ROLE IN SUCCESS



CLARITY IS EVERYONE'S FRIEND



The Utility needs to understand the deal, too

ALLOCATE RISK OPENLY



Open discussion of risk leads to win-win

KNOW YOUR WATER/WASTEWATER FACILITY



Systems are complicated and inter-related



QUESTIONS?

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