

Performance Contracting: Recipes for Success

Doing More With Less Through Energy Savings Performance Contracting

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BACKGROUND

- 10 mental health & 13 mental retardation facilities with 24/7 care:
 - Approximately 1,400 buildings with 10 million ft²
 - Current replacement value of approx. \$1.6 billion
 - 25% constructed prior to 1951, 50% constructed prior to 1976
- Special needs of clients
 - Specially designed to serve those with mental illness and mental retardation
 - One maximum security unit. One facility to address needs of youth
 - Aging population
- Over \$15 million in energy projects over 9 years through SECO's LoanSTAR Program
 - Included lighting, air-conditioning/heating, motors, energy management control systems



CHALLENGES

➤ Funding

- 12% Statewide budget cut
- Efficiency mandates
- Funding for repair/replacement reduced from \$72 million to \$35 million

➤ Liabilities

- Deferred repairs/replacement: >\$250 million
- Emergency repairs/replacement

➤ Organizational

- Geographic- Texas is large
- Staffing
- Utilities- regulated/unregulated, 7 electric, 7 nat. gas

SOLUTION

- Energy Savings Performance Contract (ESPC)
 - SECO support
 - Two vendor PUAs helped validate the potential understand the process
 - TPFA- involved early in process
 - Got Senior Management on board early and throughout the process
- Procurement Process
 - Request for Qualifications
 - Due diligence
 - Presentation
 - Selection
- Contract Development
 - Umbrella contract (initiated PUAs at no cost and developed strategic plan)
 - Detailed utility audit contract
 - Implementation contract

PLAN

- Partnering
- Preliminary Utility Audits
 - Site visits
 - Collect utility data
 - Collect deferred repair/replacement data
 - Over 10,000 repair/replacement needs have been evaluated
 - Three categories of deficiencies
- Develop Strategic Plan
 - Divide 23 sites into five phases
 - Identify agency-wide renovations
 - Identify agency-wide standards
- Detailed Audit
 - Texas A&M's Energy Systems Lab will provide technical assistance
- Financing
 - Financing by the Texas Public Finance Authority
 - Additional funding from the Texas LoanSTAR Program



PURPOSE

- Preliminary Findings
 - Potential savings over \$4 million/yr; 25% of utility budget
 - Implement over \$31 million of repair/replacement needs
 - Capture over \$1 million of utility rebates
 - Enable laundry consolidation
- Project to be implemented in five stages (plus laundry) over two years
- Benefits
 - Significantly reduced repair/replacement liability
 - Improved living conditions for clients
 - Standardization of certain building systems and procedure statewide
 - Significant contribution to reducing Texas' air quality problems

TODAY

➤ Phase 1

- DUA complete and approved
- Construction 90% complete
- Measured savings meeting projections

➤ Phase 2

- DUA complete and approved
- Construction 10% complete; projected completion in Sept'06

➤ Phase 3

- DUA underway
- Construction to start in Nov.'05

➤ Phase 6 (laundry consolidation)

- DUA complete and approved
- Construction 50% complete

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