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
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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