Investment Grade Audit and Project Development Contract

for the
Arkansas Energy Performance Contracting Program

Version 1.1
March 2014

ARKANSAS
Economic Development Commission
ENERGY OFFICE

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Contents

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1. Introduction

This **Investment Grade Audit and Project Development Contract** (the "Contract") is made and entered into as of Date, between ESCO Name (“ESCO”), having its principal offices at ESCO Address, and Agency Name and/or name of authorizing Board hereinafter referred to as (“Agency”), Agency Address.

W I T N E S S E T H

WHEREAS, This Contract was created for use of Agencies to obtain an Investment Grade Audit and Project Development for Agency’s facilities from a private energy service company (ESCO).

WHEREAS, Authority exists in A.C.A. § 19-11-1201 Guaranteed Energy Cost Savings Act, for Agency to enter into this contract, and funds have been budgeted, appropriated and otherwise made available; a sufficient unencumbered balance thereof remains available for payment; and the required approval, clearance and coordination have been accomplished from and with appropriate agencies; and

WHEREAS, ESCO is a company, pre-qualified by the ARKANSAS ECONOMIC DEVELOPMENT COMMISSION - ENERGY OFFICE (“AEO”) for the Arkansas Energy Performance Contracting (“AEPC”) Program to perform energy performance contracting for Agencies in Arkansas;

WHEREAS, AEO is authorized to collect a reasonable fee for administration of the AEPC Program; for AEPC projects that result in a fully executed Energy Performance Contract;

WHEREAS, ESCO has experience and technical and management capabilities to provide for the discovery, engineering, procurement, installation, financing, savings guarantee, maintenance and monitoring of energy and water saving measures at facilities similar in size, function and system type to Agency’s facilities; and

WHEREAS, Agency has selected ESCO to provide the services described herein; and

WHEREAS, Agency desires to enter into a Contract to have ESCO perform a Investment Grade Audit and Project Proposal to determine the feasibility of entering into an Energy Performance Contract to provide for installation and implementation of energy and water saving measures at Agency’s facilities; and

WHEREAS, if energy and water saving measures are determined to be feasible, and if the amount of savings can be reasonably sufficient to cover all costs, as defined by Agency, associated with an Energy Performance Contracting project, the parties intend to negotiate an Energy Performance Contract under which the ESCO will design, procure, install, implement, maintain and monitor such energy and water saving measures. However, this intent does not commit Agency to entering into such Energy Performance Contract.

THEREFORE, the parties agree as follows:

ESCO agrees to perform an Investment Grade Audit in accordance with the Scope of Work described in Exhibit A. ESCO agrees to complete the Investment Grade Audit and tender to Agency a final report within Number of Days depending on size and complexity of facilities and time needed to review the audit Number of Days from the execution of this Contract.

Agency agrees to assist the ESCO in performing the Investment Grade Audit in accordance with the Scope of Work described in Exhibit A. Agency agrees to work diligently to provide full and accurate information. ESCO agrees to work diligently to assess validity of information provided and to confirm or correct the information as needed. The parties contemplate that this will be an iterative process and that Agency will have a reasonable amount of time to review results and determine acceptance before issuing the Notice of Acceptance (Exhibit D: Notice of Acceptance of Investment Grade Audit Report).

ESCO agrees to offer an Energy Performance Contract Proposal with a package of energy and water saving measures and with details as specified in the Scope of Work in Exhibit A. If an EPC is executed, ESCO agrees to pay the AEO Administration Fee, as described in the AEPC Program Manual and the AEPC EPC Schedule U.

2. Compensation to ESCO

ESCO shall be compensated as follows:

2a. Basis and Maximum Amount

Except as provided for in Subsections 2b, 2c, or 2d below, within Number of Days: 120 days recommended days after Agency's acceptance of the final Investment Grade Audit and Project Proposal Contract, Agency shall pay to ESCO a sum not to exceed Dollar Amount in Words ($ dollar amount) based on a maximum of square footage to be audited gross square feet at cost per square foot per square foot of audited square-footage, and based on other facilities as per Exhibit C: Cost and Pricing for IGA Development. Agency shall only pay for square-footage and other facilities actually audited. Areas deemed by Agency or ESCO not to be audited will not be charged to Agency.

2b. Payment through Energy Performance Contract

Agency shall have no direct payment obligations under this contract provided that ESCO and Agency execute an Energy Performance Contract within Number of Days – 120 days suggested, allowing sufficient time for contract negotiation, attorney review, and Agency processing days, after issuance of the Notice of Acceptance (Exhibit D: Notice of Acceptance of Investment Grade Audit Report) of the final Investment Grade Audit and Project Proposal Contract, but the fee indicated above shall be incorporated into ESCO's project costs in the Energy Performance Contract and paid through the Energy Performance Contract funding mechanisms.

2c. Project With Insufficient Savings

Agency shall have no payment obligations under this Contract in the event that ESCO's final Investment Grade Audit and Project Proposal Contract does not contain a package of energy and water saving measures which, if implemented and as meeting terms of Exhibit A: Scope of Work and Deliverable, will provide the Agency with cost savings sufficient to fund Agency's payments of all costs and fees associated with the Energy Performance Contract, including 1) the fee associated with the Investment Grade Audit, 2) all payments for all project funding and/or financing contracts, 3) any annual fees for monitoring and maintenance incurred by the ESCO. Should the ESCO determine at any time during the Investment Grade Audit that savings cannot be attained to meet these terms, the Investment Grade Audit will be terminated by written notice by the ESCO to Agency. In this event this Contract shall be cancelled and Agency shall have no obligation to pay, in whole or in part, the amount specified in this Section 2a.

3. Scope of Work and Deliverables

The Investment Grade Audit and Energy Performance Proposal Contract shall be performed as described in Exhibit A - Scope of Work and Deliverables and will include the buildings and infrastructure as provided in Exhibit B – Included Buildings/Facilities and Cost of IGA

4. Termination

This Contract may be terminated at any time as described below by:

4a. Termination for Default/Cause

1. Default

If the ESCO refuses or fails to timely perform any of the provisions of this contract, with such diligence as will ensure its completion within the time specified in this contract, the procurement officer may notify the ESCO in writing of the non-performance, and if not promptly corrected within the time specified, such officer may terminate the ESCO's right to proceed with the contract or such part of the contract as to which there has been delay or a failure to properly perform. The ESCO shall continue performance of the contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services elsewhere.

2. ESCO's Duties

Notwithstanding termination of the contract and subject to any directions from the procurement officer, the ESCO shall take timely, reasonable and necessary action to protect and preserve property in the possession of the ESCO in which the purchasing Agency has an interest.

3. Compensation

Payment for completed services delivered and accepted by Agency shall be at the contract price. The purchasing Agency may withhold amounts due to the ESCO as the procurement officer deems to be necessary to protect the purchasing Agency against loss because of outstanding liens or claims of former lien holders and to reimburse the purchasing Agency for the excess costs incurred in procuring similar goods and services.

4. Excuse for Nonperformance or Delayed Performance

The ESCO shall not be in default by reason of any failure in performance of this contract in accordance with its terms if such failure arises out of acts of God; acts of the public enemy; acts of the State and any governmental entity in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. Upon request of the ESCO, the procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the ESCO's progress and performance would have met the terms of the contract, the delivery schedule shall be revised accordingly, subject to the rights of the purchasing Agency.

5. Erroneous Termination for Default

If after notice of termination of the ESCO's right to proceed under the provisions of this clause, it is determined for any reason that the ESCO was not in default under the provisions of this clause, or that the delay was excusable, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to the termination for convenience clause.

4b. Termination for Convenience

1. Termination

The Agency may, when the interests of the Agency so require, terminate this contract in whole or in part, for the convenience of the Agency. The Agency shall give written notice of the termination to the ESCO specifying the part of the contract terminated and when termination becomes effective. This in no way implies that the purchasing Agency has breached the contract by exercise of the Termination for Convenience Clause.

2. ESCO's Obligations

The ESCO shall incur no further obligations in connection with the terminated work and on the date set in the notice of termination the ESCO will stop work to the extent specified. The ESCO shall also terminate outstanding orders and subcontracts as they relate to the terminated work. The ESCO shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated work. The Agency may direct the ESCO to assign the ESCO's right, title, and interest under terminated orders or subcontracts to the purchasing Agency. The ESCO must still complete and deliver to the purchasing Agency the work not terminated by the Notice of Termination and may incur obligations as are necessary to do so.

3. Compensation
    a. The ESCO shall submit a termination claim specifying the amounts due because of the termination for convenience together with cost or pricing data bearing on such claim. If the ESCO fails to file a termination claim within 90 days from the effective date of termination, the Agency may pay the ESCO, if at all, an amount set in accordance with subparagraph c of this Section.
    b. The Agency and the ESCO may agree to a settlement provided the ESCO has filed a termination claim supported by cost or pricing data and that the settlement does not exceed the total contract price plus settlement costs, reduced by payments previously made by the purchasing Agency, the proceeds of any sales of supplies and manufactured materials made under agreement, and the contract price of the work not terminated.

c. Absent complete agreement, under subparagraph b of this Section, the Agency shall pay the ESCO the following amounts, provided the payments agreed to under subparagraph b shall not duplicate payments under this subparagraph:
   i. Contract prices for supplies or services accepted under the contract;
   ii. Costs incurred in preparing to perform the terminated portion of the work plus a fair and reasonable profit on such portion of the work (such profit shall not include anticipatory profit or consequential damages) less amounts paid to or to be paid for accepted supplies or services; provided, however, that if it appears that the ESCO would have been sustained a loss if the entire contract would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss.
   iii. Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to the ESCO's obligations paragraph of this clause. These costs must not include costs paid in accordance with subparagraph b of this Section.
   iv. The reasonable settlement costs of the ESCO including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the contract and for the termination and settlement of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the terminated portion of this contract.
   v. The total sum to be paid the ESCO under this subparagraph c shall not exceed the total contract price plus settlement costs, reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph b, and the contract price of work not terminated.

d. Cost claimed or agreed to under this section shall be in accordance with applicable sections of the State Procurement Code.

4c. Available Funds – Contingency - Remedies

The Agency is prohibited by law from making fiscal commitments beyond the term of its current fiscal period. Therefore, ESCO’s compensation is contingent upon the continuing availability of Agency appropriations.. Payments pursuant to this contract shall only be made from available funds encumbered for this Contract, and the Agency’s liability for such payments shall be limited to the amount remaining of such encumbered funds. If Agency or federal funds are not appropriated, or otherwise become unavailable to fund this Contract, the Agency may immediately terminate the Contract in whole or in part without further liability in accordance with the Termination for Cause subsection of the Remedies section of this Contract. All payments are subject to the general Remedies section of this Contract.

5. Insurance

Coordinate insurance requirements and amounts of coverage with existing policy amounts and coverages and modify below as needed.

Before commencing any Work under this Contract, ESCO shall file with Agency certificates of insurance evidencing the coverage’s as specified below:

- It is agreed and understood ESCO shall maintain in full force and effect adequate commercial general liability insurance and property damage insurance, as well as workmen's compensation and employer's liability insurance pursuant to the State insurance requirements as defined below.
- The ESCO shall obtain, and maintain at all times during the term of this Agreement, insurance in the following kinds and amounts.
- Standard Workers' Compensation and Employer's Liability as required by State statute, including occupational disease, covering all employees at the work site.
- General Liability (minimum coverage)
- Combined single limit of $600,000 written on an occurrence basis.
- Any aggregate limit will not be less than $1,000,000.
- The ESCO must purchase additional insurance if claims reduce the annual aggregate below $600,000.
- Automobile Liability (minimum coverage) in the amount of $600,000 combined single limit
- The Agency shall be named as an additional insured on each commercial general liability policy.
- The insurance shall include provisions preventing cancellation without 30 calendar days prior written notice, by certified mail to the Principal Representative
- ESCO shall be responsible for all claims, damages, losses or expenses, including attorney's fees, arising out of or resulting from the performance of the Services contemplated in this Contract, provided that any such claim, damage, loss or expense is caused by any negligent act, error or omission of ESCO, any Consultant or associate thereof, or anyone directly or indirectly employed by ESCO. ESCO shall submit a Certificate of Insurance at the signing of this Contract and also any notices of Renewal of said Policy as they occur.

6. Energy Performance Contract (EPC)

The Parties intend to negotiate an Energy Performance Contract under which the ESCO will design, install and implement energy and water saving measures which the Parties have agreed to, and provide certain maintenance and monitoring services. However, nothing in this Contract should be construed as an obligation on any of the Parties to execute such a contract. The terms and provisions of such an Energy Performance Contract will be set forth in a separate contract.

7. Extent of Agreement

This Contract represents the entire and integrated agreement between Agency and ESCO and supersedes all prior negotiations, representations or agreement, either written or oral. This Contract may be amended only by written instrument signed by the Agency.

The Agency and ESCO understand and agree the attachment and exhibits hereto are and shall be an integral part of this Contract and the terms and provisions thereof are hereby incorporated, made a part of and shall supplement those recited herein. In the event of any conflict, or variance, the terms and provisions of this printed Agreement shall supersede, govern and control.

8. Term

The term of this Contract will become effective upon approval by the appropriate authority**.** The term shall end number of days plus 15 days to allow for processing of check (suggest 135 days) after signing of the Notice of Acceptance (Exhibit B: Notice of Acceptance of Investment Grade Audit Report) of the Final Investment Grade Audit Report by the Principal Representative.

9. Order of Precedence

In the event of conflict or inconsistency between this contract and its exhibits or attachments, such conflicts or inconsistencies shall be resolved by reference to the documents in the following order of priority:

- State Special Provisions These Special Provisions are required for State Agency/Agency projects.
- Contract - general terms and conditions
- Other exhibits or attachments

10. Agency's Special Provisions

Insert as required or as available.

Exhibit A – Scope of Work and Deliverables

Process Overview Summary
This will be an interactive approach in working with Agency, following these steps:

Preliminary Assessment of Needs and Opportunities

- Meet with Agency to establish interests, plans, problems, etc. related to facilities and operation of facilities.
- Collect data and background information on buildings, equipment and facilities operation
- Perform a preliminary walk-through of facilities and interview staff and occupants to identify potential measures
- Meet with Agency to present preliminary findings and establish agreement on measures to analyze

Preliminary Analysis of Measures

- Establish base year consumption and reconcile with end-use consumption estimates
- Conduct a preliminary analysis of potential measures
- Meet with Agency to present preliminary findings and establish agreement on measures to further analyze

Further Analysis and Audit Report

- Further analyze measures
- Develop a preliminary Investment Grade Audit Report
- Meet with Agency to present results
- Prepare final Investment Grade Audit Report

Energy Performance Contract Proposal

- Develop Energy Performance Contract proposal
- Meet with Agency to present results and negotiate final terms

Guidelines and Requirements

Energy Performance Contract Term: The Energy Performance Contract Term shall have a term no greater than 20 years after installation and no greater than the cost-weighted average lifetime of the equipment. Agency's goal is for a term no greater than desired financing term years.

Annual Guaranteed Energy and Cost Savings: The annual guarantee is recommended for the entire financing term, or three years minimum. The guarantee is based on cost savings attributable to all energy saving measures, and must equal or exceed all project costs each year during the finance period. Annual project costs include debt service, ESCO fees, maintenance services, measurement and verification services, and other services as applicable.

Excess Savings: Annual cost savings beyond the guaranteed minimum savings will be retained by Agency, and will not be allocated to shortfalls in other years.

Annual Savings Estimates: The annual savings estimates for all measures must be estimated for each year during the contract period.

Allowable cost and savings factors approved for consideration:
Payment sources that may be incorporated at the discretion of the Agency:

- Energy and water cost savings
- Material/commodity savings, including scheduled replacement of parts (only for years that these cost savings are applicable)
- Outside labor cost savings, including maintenance contracts
- In-house labor costs
- Deferred maintenance cost
- Outside incentive funds (utility incentives, grants, etc.)
- Any savings related to maintenance and operation of the facilities will be limited to those that can be thoroughly documented.
- Payment sources that may also be considered and negotiated:(list)
- Additional factors related to establishing savings that cover all costs:
- Utility escalation rates that apply to each payment source. These are rates to be used in cash flow projections for project development purposes and will be openly discussed and approved by Agency.
- Interest rates (municipal tax-exempt rates or other rates for public Agencies)
- Agency cash outlay (Agency's sole discretion)

The project costs and pricing elements are presented in **Exhibit C: Costs and Pricing for EPC Project Development**. These cost and pricing elements will be used to determine final project costs during the Investment Grade Audit and subsequent Energy Performance Contract.

IGA Scope of Work and Deliverables

(ESCOs: Use checkboxes to indicate entire section is complete.)

☐ **Data and Information**. Collect data and background information from Owner concerning facility operation and energy use for the most recent three years from the effective date of this Contract as follows:

- Building square footage.
- Construction data of buildings and major additions including building envelope.
- Utility company invoices.
- Occupancy and usage information.
- Description of all energy-consuming or energy-saving equipment used on the premises.
- Description of energy management procedures utilized on the premises.
- Description of any energy-related improvements made or currently being implemented.
- Description of any changes in the structure of the facility or energy-using or water-using equipment.
- Description of future plans regarding building modifications or equipment modifications and replacements.
- Drawings, as available (may include mechanical, plumbing, electrical, building automation and temperature controls, structural, architectural, modifications and remodels).
- Original construction submittals and factory data (specifications, pump curves, etc.), as available.
- Operating engineer logs, maintenance work orders, etc., as available.
- Records of maintenance expenditures on energy-using equipment, including service contracts.
- Prior energy audits or studies, if any.

☐ Identify Potential Measures

- Interview individuals with knowledge of the facility such as the facility manager, maintenance staff, subcontractors and occupants of each building regarding:
- Facility operation, including energy management procedures.
- Equipment maintenance problems.
- Comfort problems and requirements.
- Equipment reliability.
- Projected equipment needs.
- Occupancy and use schedules for the facility and specific equipment.
- Facility improvements – past, planned and desired.
- Survey major energy-using equipment, including, but not limited to, lighting (indoor and outdoor), heating and heat distribution systems, cooling systems and related equipment, automatic temperature control systems and equipment, air distribution systems and equipment, outdoor ventilation systems and equipment; exhaust systems and equipment; hot water systems, electric motors, transmission and drive systems, special systems such as kitchen/dining equipment and swimming pools, renewable energy systems, other energy using systems, water consuming systems, such as restroom fixtures, water fountains, and irrigation systems.
- Perform "late-night" surveys outside of normal business hours or on weekends to confirm building system and occupancy schedules, if deemed necessary.
- Develop a preliminary list of potential energy and water saving measures. Consider the following for each system:
- Comfort and maintenance problems.

- Energy use, loads, proper sizing, efficiencies and hours of operation.
- Current operating condition.
- Remaining useful life.
- Feasibility of system replacement.
- Hazardous materials and other environmental concerns.
- Owner’s future plans for equipment replacement or building renovations.
- Facility operation and maintenance procedures that could be affected.
- Capability to monitor energy performance and verify savings.

☐ **Base-Year Consumption**. Establish base-year consumption and reconcile with end-use consumption estimates.

- Establish appropriate base year consumption by examining utility bills for the past three years for electricity, gas, propane, steam, water, and any other applicable utilities. Present base year consumption in terms of energy units (kWh, kW, ccf, Therms, gallons, or other units used in bills), in terms of energy units per square foot, in terms of dollars, and in terms of dollars per square foot. Describe the process used to determine the base year (averaging, selecting most representative contiguous 12 months, removal of anomalies, or other statistical or weather-normalized method). Consult with facility personnel to account for any anomalous schedule or operating conditions on billings that could skew the base year representation. Contractor shall account for periods of time when equipment was broken or malfunctioning in calculating the base year.
- Estimate loading, usage and/or hours of operation for all major end uses of total facility consumption including, but not limited to: lighting, heating, cooling, motors (fans, pumps, and other pertinent), plug loads, and other major energy and water using equipment. Where loading or usage are highly uncertain (including variable loads such as cooling), Contractor shall use its best judgment, spot measurements or short-term monitoring. Contractor should not assume that equipment run hours equal the operating hours of the building(s) or facility staff estimates.
- Reconcile annual end-use estimated consumption with the annual base year consumption. This reconciliation shall place reasonable “real-world” limits on potential savings. Propose adjustments to the baseline for energy and water saving measures that shall be implemented in the future.
- For facilities constructed and occupied prior to July 1, ____, establish the actual FY _____ baseline utility consumption and compare to the EPC base year consumption. Document, analyze, and defend all variances between the EPC base year consumption values and the actual FY _____ facility baseline utility consumption.

☐ **Preliminary Analysis.**

- Develop a preliminary analysis of potential energy and water saving measures.
- List all potential opportunities, whether cost-effective or not. Consider technologies in a comprehensive approach including, but not limited to: lighting and daylighting systems, heating/ventilating/air conditioning equipment and distribution systems, controls systems, building envelope, motors, kitchen equipment, pools, renewable energy systems, other special equipment, irrigation systems, and water saving devices.
- Identify measures which appear likely to be cost effective and therefore warrant detailed analysis.

For each measure, prepare a preliminary estimate of energy or water cost savings including description of analysis methodology, supporting calculations and assumptions used to estimate savings.

☐ **Preliminary Meeting**.

- Meet with Owner to present preliminary analysis prior to complete analysis. Describe how the projected project economics meet the Owner's terms for completing the Investment Grade Audit and Proposal Contract. Discuss assessment of energy use, savings potential, project opportunities, and potential for developing an energy performance contract. Develop a list of recommended measures for further analysis. The Owner shall at its discretion, have the option to reject any presented calculations of savings, potential savings allowed, or project recommendations.

☐ **Savings and Cost Analysis**.

- Analyze savings and costs for each mutually agreed to energy and water saving measure and any mutually agreed to capital improvement measures.
- Follow the methodology of the American Society of Heating, Refrigeration, and Air Conditioning Engineers (ASHRAE) or other nationally-recognized authorities following the engineering principle(s) identified for each retrofit option.
- Utilize assumptions, projections and baselines which best represent the true value of future energy or operational savings. Include accurate marginal costs for each unit of savings at the time the audit is performed, documentation of material and labor cost savings, adjustments to the baseline to reflect current conditions at the facility, calculations which account for the interactive effects of the recommended measures.
- Use best judgment regarding the employment of instrumentation and recording durations so as to achieve an accurate and faithful characterization of energy use.
- Adhere to percentage ranges of project costs stated in contract in all cost estimates.
- Develop a preliminary measurement and verification plan for each measure.
- Follow additional guidelines for analysis and report preparation given below.
- Include cost to provide services and complete application for ENERGY STAR Label, LEED-EB certification for Existing Buildings, or other certification.

☐ **Draft Audit Report**.

- Prepare a draft Investment Grade Audit Report. The report provides an engineering and economic basis for negotiating a potential Energy Performance Contract between the Owner and the Contractor. The report shall include:
- Overview.
- Contact information.
- Brief executive summary identifying at a minimum any project phases, building names, total project cost, total energy and water savings, and financial summary.
- Summary table of recommended energy and water saving measures, by building/ECM, with itemization for each measure of total design and construction cost, rebates, all capital contributions, annual maintenance costs, the first year cost avoidance (in dollars and energy/water units), emissions reductions, simple payback and new equipment service life.
- Summary by building of annual energy and water use by fuel type and costs of existing or base year condition. Compare energy use index in kBtu per ft^2 per year of building both before and after retrofit and benchmark with the most recently released version of the Commercial Buildings Energy Consumption Survey (CBECS), and benchmark with the average (or best) building of its type.
- Summary table of recommended energy and water saving measures, with itemization for each measure of total design and construction cost, annual maintenance costs, the first year cost avoidance (in dollars and energy/water units), simple payback and equipment service life.

- Summary of annual energy and water use by fuel type and costs of existing or base year condition.
- Calculation of cost savings expected if all recommended measures are implemented and total percentage savings of total facility energy cost.
- Description of the existing facility, mechanical and electrical systems.
- Summary description of measures, including estimated costs and savings for each as detailed above.
- Discussion of measures considered but not investigated in detail.
- Conclusions and recommendations.
- Base year energy use.
- Description and itemization of current billing rates, including schedules and riders.
- Summary of all utility bills for all fuel types and water.
- Identification and definition of base year consumption and description of how established.
- Reconciliation of estimated end use consumption (i.e. lighting, cooling, heating, fans, plug loads, etc) with base year (include discussion of any unusual findings)
- Full description of each energy and water saving measure including:
- Written description of:
- Existing conditions.
- Description of equipment to be installed and how it shall function.
- Include discussion of facility operations and maintenance procedures that shall be affected by installation/implementation.
- Present the plan for installing or implementing the recommendation.
- Savings calculations:
- Base year energy use and cost.
- Post-retrofit energy use and cost.
- Savings estimates including analysis methodology, supporting calculations and assumptions used.
- Annual savings estimates. The cost savings for all energy saving measures must be determined for each year during the contract period. Savings must be able to be achieved each year (cannot report average annual savings over the term of the contract).
- Savings must be limited to savings allowed by the Owner as described above.
- Percent cost-avoidance projected.
- Description and calculations for any proposed rate changes.
- Explanation of how savings interactions between retrofit options are accounted for in calculations.
- Operation and maintenance savings, including detailed calculations and description. Ensure that maintenance savings are only applied in the applicable years and only during the lifetime of the particular equipment.
- Future capital cost avoidances, because they are not explicitly cost savings and are instead reallocated Owner capital funds, must be clearly noted and include an explanation as such for edification of the Owner.
- If computer simulation is used, include a short description and state key input data. If requested by Owner, access shall be provided to the program and all assumptions and inputs used, and/or printouts shall be provided of all input files and important output files and included in the Investment Grade Audit with documentation that explains how the final savings figures are derived from the simulation program output printouts.

- If manual calculations are employed, formulas, assumptions and key data shall be stated.
- Conclusions, observations, caveats.
- Cost estimate – Include all information required under CRS §24-30-2002 as well as a detailed scope of the construction work suitable for cost estimating. Include all anticipated costs associated with installation and implementation. Provide preliminary specifications for major mechanical components as well as detailed lighting and water fixture counts. The following shall also be included:
- Engineering/design costs.
- ESCO or Contractor/vendor estimates showing breakdown for labor, materials, and equipment; include special provisions, overtime, and all other appropriate items, as needed to accomplish the work with minimum disruption to the operations of the facilities.
- Permit costs.
- Construction management fees.
- Environmental costs or benefits (disposal, avoided emissions, handling of hazardous materials, and any other related costs).
- ESCO shall engage all appropriate utility companies and reasonably apply all available rebates and incentives available from the utility to reduce the overall cost of the project.
- ESCO shall state whether applicable rebates for EPAct 2005 were pursued in each area of lighting, HVAC, and envelope measures, including supporting details for how they are being pursued. If they are not being pursued, please explain why.
- Note that all project percentages stated in **Exhibit C** to the Investment Grade Audit and Project Proposal Contract (TEAPP), to which this Exhibit A is attached, shall be used in the cost estimates, unless otherwise documented and justified due to change in scope or size of project or other unforeseen circumstances.
- Conclusions, observations, caveats.
- Other cost categories as defined above under "Project Percentages" in Contract.
- Miscellaneous:
- Estimate of average useful service life of equipment.
- Preliminary commissioning plan. Preliminary commissioning plan shall follow current industry processes.
- Preliminary measurement and verification plan, following the current version of the International Performance Measurement and Verification Protocol (IPMVP) explaining how savings from each measure is to be measured and verified.
- Discussion of impacts that facility would incur after contract ends. Consider operation and maintenance impacts, staffing impacts, budget impacts, etc., and identify who is responsible for maintenance.
- Compatibility with existing systems.

☐ **Post-Audit Meeting**.

- Meet with Owner to review the recommendations, savings calculations and impact of the measures on the operations of the facility. Describe how the projected project economics meet the Owner's terms for completing the Investment Grade Audit and Performance Contract Proposal. Discuss the willingness and capability of Owner to make capital contributions to the project to improve the economics of the overall project. Revise Audit as directed by Owner.

☐ **Complete and Present Final Investment Grade Audit Report**. Deliver final audit report to Owner for approval. Execute Exhibit B.

☐ **Proposal**.

Prepare an Energy Performance Contract Proposal using the State of Arkansas's Energy Performance Contract documents. In anticipation of Contractor and Owner entering into an Energy Performance Contract to design, install, and monitor the energy and water saving measures proposed in the Investment Grade Audit Report, Contractor shall prepare a proposal to be incorporated in an Energy Performance contract that includes the following:

- Project Cost is the maximum not to exceed amount Owner shall pay for the project and Contractor's services. Costs must be consistent with mutually agreed to project percentages established in **Exhibit C**. Costs shall include: engineering, designing, procuring, installing (from Investment Grade Audit Report results); performance/payment bond costs; construction management costs; commissioning costs; maintenance costs; monitoring and verification costs; training costs; and overhead and profit. ESCO may present other project-related costs if reviewed and approved by AEO, and previously disclosed in ESCO's proposal and presented in the IGA and Project Proposal.
- Include a List of Services that shall be provided as related to each cost.
- Expected term of the Energy Performance Contract.
- Expected utility rate forecast (escalation or decline) based on historical trends, utility provider rate forecasts, economic forces of supply and demand (global, national, local or regional), natural resource availability, technology, utility capital investment, and environmental requirements. (AEO and/or the Owner shall be consulted on the appropriate fuel price escalation factors for all projects.)
- Description of how the project shall be financed including available interest rates and financing terms, based on interest rates likely available to Owner at this time, and based on a 60-day and 90-day lock option.
- Explanation of how the savings shall be calculated and adjusted due to weather (such as heating and cooling degree days), occupancy or other factors. Monitoring and verification methods must be consistent with the most current version of *Measurement and Verification Guidelines for Energy Saving Performance Contracts in State of Arkansas Facilities*.
- Analysis of annual cash flow for Owner during the contract term.

Exhibit B – Included Buildings/Facilities and Cost of IGA

IGA Costs

Costs of the IGA are determined by AEO based on a prescibed formula that factors square footage of the buildings included in the scope of work. All ESCOs are required to use the AEO-developed IGA costs in their proposals to Agencies but may choose to reduce IGA costs after selection. Using the tables below, calculate IGA cost based on the GSF cost/SF according to the following table.

IGA Pricing per SF	**Under 250 k SF**	**250 - 500 k SF**	**501 k + SF**
	$0.20	$0.18	$0.15

Using the second table, indicate the estimated cost for other facilities (building or infrastructure) where the GSF audit fee may not be appropriate, e.g., water treatment plants, wastewater treatment plants, warehouses, arenas, and others. (Consult with AEO for appropriateness of fees). The final additional costs for performing the IGA on these buildings should be negotiated after ESCo selection has taken place. The cost per SF for this audit per the AEO determination is ___________ft^2

The following tables lists the buildings included in the Investment Grade Audit (IGA) Scope of Work. (Add additional rows as necessary to list all buildings and non-typical infrastructure as necessary.)

Building	Building Type	Building Age	Building Gross Square Feet-GSF	Bldg. Audit $/SF	Bldg. Tot Audit $
TOTAL					

Indicate the cost for other facilities (building or infrastructure) where the GSF audit fee may not be appropriate, e.g., water treatment plants, wastewater treatment plants, warehouses, arenas, and others. (Consult with AEO for appropriateness of fees).

Building or Infrastructure	Facility Type	Facility Age	Facility GSF (or other applicable measurement)	Unit cost for audit (if applicable)	Facility Total Audit Cost $
TOTAL					

TOTAL COST OF IGA: ______________________________

Exhibit C - Cost and pricing for EPC Project Development

For purposes of the IGA contract please manually enter the maximum percentage of total project cost your company will use for this EPC project. An Excel version of this table will be used during the completion of an IGA to indicate final project costs to the Agency. “Actual Percent of Total Project Price” for each line item will be calculated for each project based upon the true ESCO costs entered into the “Price/Cost” line.

		Project Budget	Estimated Percents of Total Project Price*	Actual Percent of Total Project Price	Price/ Cost	How final value is derived (Use for individual projects)
		Base Construction Costs				
	a	Subcontractor Costs (Contractor Costs to ESCO)	N/A	N/A		N/A
	b	Other Direct Purchases of Equipment & Materials, (Supplier Costs to ESCO)	N/A	N/A		N/A
	c	Design				
	d	Project Management				
	e	Permits				
	f	Performance Bond				
	g	Commissioning				
	h	Training				
	i	Construction Measurement and Verification				
sum (a:i)	j	Sum Project Direct Costs				N/A
	k	Overhead Percent				
	l	Profit Percent				
Sum (j:l)	m	PROJECT PRICE SUB TOTAL w/OH &P				N/A
	n	Technical Energy Audit and Project Proposal	N/A	N/A		N/A
	o	Contingency				
Sum (m:o)	p	TOTAL PROJECT PRICE				N/A

Annual Costs

Use only the categories shown. Proper cost determination and expected length of service should be noted for all services.

CATEGORY OF ANNUAL COST	How Price is Determined	Years Applied (One-time, Annual, etc.)
Warranty		
Measurement and Verification		
Maintenance		
Other: _____________________		

Exhibit D - Notice of Acceptance of Investment Grade Audit Report

Notice of Acceptance

Date of Notice ___________

Notice is hereby given that ***Agency*** accepts the Investment Grade Audit and Project Development Proposal by ESCO, as contemplated in **Section 2 of the Investment Grade Audit and Project Proposal Contract** with dated ___________________.

From:

____

Agency Name (print)

____

Agency Representative - Name (print)

____ _____________________

Signature Date

Submitted to:

____

ESCO Name (print)

____

ESCO Representative - Name (print)