

FEDERAL ENERGY MANAGEMENT ADVISORY COMMITTEE

PUBLIC MEETING SUMMARY

OCTOBER 19, 2006 ~ WASHINGTON, DC

INTRODUCTION

On October 19, 2006, the Federal Energy Management Advisory Committee (FEMAC) held a public meeting in Washington, DC. FEMAC was established by *Executive Order 13123 – Greening the Government through Efficient Energy Management*. The order directs the committee to provide the Secretary of Energy with input on energy management, including how to improve the use of Energy Savings Performance Contracts and utility energy efficiency service contracts, improve procurement of ENERGY STAR® and other energy efficient products, improve building design, reduce process energy use, and enhance applications of efficient and renewable energy technologies at Federal facilities.

The Department of Energy's (DOE) Office of Federal Energy Management Programs (FEMP) coordinates the advisory committee; Rick Klimkos, of FEMP serves as FEMAC's Designated Federal Official. Brian Henderson of the New York State Energy Research and Development Authority (NYSERDA) chairs the committee. FEMAC's membership represents a cross-section of interests and experience in the energy field.

[Attachment A](#) FEMAC Public Meeting Summary October 19, 2006

[Attachment B](#) Public Meeting Comments

[Attachment C](#) FEMAC *Resolution 2006-01* for ESPCs and UESCs

[Attachment D](#) Attendance List

ATTACHMENT A

MEETING SUMMARY

OPENING COMMENTS

Mr. Henderson opened the public meeting and introduced himself as the FEMAC Chair and a representative of the New York State and Research Development Authority (NYSERDA). He pointed out that FEMAC public meetings serve as a forum for obtaining public and private sector input on achieving Federal energy management goals. FEMAC operates according to procedures established by the *Federal Advisory Committee Act* and is charged with providing recommendations to the Secretary of Energy on energy management. FEMAC accomplishes its mission by working closely with FEMP staff and through working groups, which address a variety of issues. Current working groups include:

- Energy Savings Performance Contract (ESPC) and Utility Energy Services Contract (UESC) Working Group
- Strategic Planning Working Group
- Sustainable Building Design Working Group

During the public meeting, each working group will provide an update on their activities. He asked committee members to introduce themselves:

- Edward Bradley, Department of Veterans Affairs
- John P. DiEnna, Geothermal Heat Pump Consortium
- Tia Heneghan, CTG Energetics Inc.
- Brian Jackson, U.S. Department of Treasury
- Richard A. McSeveney, DMJM H&N
- Anne Marie McShea, New Jersey Board of Public Utilities
- John D. Mitchell, ConEdison Solutions
- Anita P. Molino, Bostonia Partners LLC
- Get Moy, Department of Defense

Mr. Henderson welcomed attendees and encouraged public meeting participants to provide comments and recommendations regarding Federal energy management (refer to Attachment B - Public Meeting Comments).

FEMP Update on the ESPC Program

On June 8, FEMAC developed a list of ten recommendations for enhancing DOE's pending Super ESPC recompetete process, which Mr. Henderson presented to DOE's Source Evaluation Board (SEB). This was followed by a June 13 letter to Alexander Karsner, DOE's Assistant Secretary for Energy Efficiency and Renewable Energy (EERE) with a copy of the recommendations.

Mr. Henderson introduced Brad Gustafson, FEMP's Team Lead for Planning, Analysis, Reporting, Communications and Coordination (PARC) and asked him to review FEMAC's list of recommendations to the SEB.

- 1) Encourage pre-bid input from industry and government
 - a. Provide a draft RFP and conduct public forums for industry and government comment with sufficient time for inputs and reviews.
- 2) Disclose financing arrangements
 - a. Require ESCOs to receive a minimum of three bids from financiers
 - b. Require disclosure of the selection process with justification on the selection of the financier.
- 3) Encourage broader ESCO competition
 - a. Small businesses and regional ESCOs should not be disqualified/discouraged because they are not national firms. Review processes such as GSA's multiple award contract for IT should be considered for possible application to this RFP.
- 4) Incorporate input/needs of key agencies
 - a. Reach out to GSA, VA, and DOD in order to incorporate their needs and lessons learned and to better enable those agencies to issue task orders off the DOE contract.
- 5) Develop a transition plan for a smooth process between contract vehicles
- 6) Expand the Federal experience in financing strategies
 - a. Include a Federal financial expert on the Source Evaluation Board

- 7) Expedite the post award /pre-construction transaction process
 - a. Streamline and standardize the ESCO selection process, as ESCOs are already going through a rigorous process to get qualified. Continuous delays have driven up transaction costs.
- 8) Place greater attention on renewable projects
- 9) Establish appropriate M&V protocols
 - a. Carefully balance the need for M&V with its associated costs. Accept reasonable M&V plans with random sampling of straight forward measures, yet more rigorous M&V associated with certain riskier technologies, complex projects, etc.
- 10) Incorporate sustainability in energy efficiency projects
 - a. Build off of the recent White House Summit and MOU for “Federal Leadership in High Performance and Sustainable Buildings”

Mr. Gustafson thanked FEMAC members for submitting the recommendations to the SEB; he said seven out of the 10 recommendations are in the process of being incorporated into the process and include the following.

- DOE plans to issue a draft RFP for comment; this was announced in one of the four special notices on the IIPS system
- DOE is analyzing how to encourage broader ESCO competition; ESPC contracting process involves six regions, 30 regional contracts, and 12 technological specific contracts. DOE wants to identify the easiest process to increase broader ESCO competition.
- DOE is addressing the option of incorporating input from key agencies and is interacting with agency representatives to address their comments on the ESPC contract. Federal agencies and the general public can comment on the draft RFP and can view and comment on three special notices about the recomplete process on DOE's Industry Interactive Procurement System (IIPS). The three special notices include: Notice of Intent to compete; Notice Requesting Comment; and a Transition Plan are accessible at: <https://e-center.doe.gov/>. Comments can be submitted on this website. The public can also submit comments to Daryl Berg at 303-275-4830 or espc@go.doe.gov.
- DOE is analyzing strategies to develop a transition plan for a smooth process between contract vehicles.

- DOE is addressing the option to expand the Federal experience in financing strategies. DOE has highly qualified technical staff with experience on ESPCs and UESCs.
- In part, DOE addressed the recommendation to expedite the post award/pre-construction transaction process by extending by 18 months the current ESPC contract from September 2006 to March 31, 2008
- DOE is addressing the option of incorporating renewable projects in ESPC contracts

Mr. Gustafson said DOE needs further clarification on the second, ninth, and tenth recommendations. Mr. Henderson said FEMAC will submit detailed explanations to DOE. Mr. Gustafson said he encourages Federal agencies to submit their ESPC and UESC projects as soon as possible versus waiting for the release of the new Super ESPC contract. He said DOE plans to complete the draft RFP by February 2007. The Army Corps of Engineers is also issuing a Super ESPC contract. DOE and the Army Corps of Engineers are working together to avoid issuing both contracts simultaneously. DOE will conduct a pilot site and a pre-bid conference at the site. Mr. Henderson invited FEMAC members to ask Mr. Gustafson questions about the recompetitve process. The discussion is documented in Attachment L.

FEMAC ESPC and UESC Resolution 2006-01

Mr. Henderson introduced FEMAC ESPC and UESC *Resolution 2006-01* (Attachment C), which was unanimously approved by the committee. Mr. Henderson will submit the resolution with recommendations on the ESPC and UESC contracts to DOE.

FEMAC's Sustainable Design Working Group

Dr. Get Moy from DOD and Chair of FEMAC's Sustainable Working Group provided an update on the group's activities. He said recent Federal actions have increased the number of Federal sustainable building design projects, which include:

- January 24-25, 2006, White House Summit on Federal Sustainable Buildings. Nineteen Federal agencies signed a Memorandum of Understanding (MOU) on Federal Leadership in High Performance and Sustainable Buildings with two additional agency signatories following the summit.
- Office of Management and Budget's (OMB) introduction of the Environment, Energy, and Transportation Management Score Cards. The purpose of the score card program is to monitor the effectiveness of individual cabinet-level Departments and major agencies in the execution of government-wide management initiatives. Agencies are held accountable for their progress in meeting the Federal Government's environmental, energy, and transportation goals.
- *EPACT 2005* Section 109 requiring the application of sustainable design principles to new and replacement buildings.

The working group was established to increase sustainable design practices in Federal agencies; working group members identified the following tasks to address.

- Conducting a thorough review of *S. 3591 - High Performance Green Buildings Act*, a bill introduced on June 28, 2006, by Senator James Jeffords (I/VT). Prepare a letter from FEMAC to DOE stating that the Department supports and endorses the bill.
- Monitoring and bench marking the Federal Government's progress, by agency, on implementation of the MOU and best practices used to achieve the MOU's goals and objectives and sustainable design measures for achieving high performance.
- Developing a pilot life cycle assessment project to address the entire building supply chain, including materials selection, transportation, siting, construction, operation and maintenance, disposal of materials and equipment, and related activities.
- Developing a strategy to enlist the participation of affected Federal agencies in designing a regional reconstruction pilot program that benchmarks and inventories sustainable design practices that are being put to use.

Dr. Moy said the working group recently drafted a letter to DOE supporting Senator James Jeffords High Performance Green Buildings Act; the letter was

approved during the public meeting by the committee for transmittal to the Secretary of Energy.

FEMAC's Energy Savings Performance Contracting and Utility Energy Services Contract Working Group

Brian Jackson, Chair of the FEMAC ESPC and UESC Working Group summarized the group's accomplishments to date:

- Under the leadership of a previous FEMAC member, Cyndi Vallina from the Office of Management and Budget, the working group developed recommendations, which were approved by FEMAC, incorporated into two reports, and submitted to DOE:

Volume I - *Energy Savings Performance Contracts (ESPC), Report on Authority*, September 2004: summarized the history of the ESPC program and recommended the immediate reauthorization of ESPCs to finance Federal energy management projects.

Volume II - *Report on Federal ESPC Management*, May 2005: provided recommendations for improving management of the ESPC program.

- Developed a set of ten recommendations for enhancing DOE's pending Super ESPC recompetitive process; on June 8, Brian Henderson presented the recommendations to the DOE Source Evaluation Board (SEB).
- Developed the ESPC/UESC Working Group's 2006-2007 Work Plan and approved and voted on the plan at the August 8 FEMAC public meeting. The work plan includes the following goals:

Work with the SEB and follow the request for proposal and contract development process and continue to provide feedback and comments as appropriate.

Examine and prepare a side-by-side comparison of how ESPCs are developed, contracted for, and used by the Federal Government as compared to the private sector, states, and the U.S. Postal Service. FEMAC plans to make recommendations on best practices for adoption by the Federal Government in the DOE recompetitive process or other future ESPCs.

Evaluate other methods by which ESPC financing costs can be reduced to levels more representative of their relative market risk and attractiveness.

Mr. Jackson said the ESPC and UESC working group is also looking into strategies for reducing the cycle time of financing projects.

FEMAC Strategic Planning Working Group

Mr. Henderson is the Chair of the Strategic Planning Working Group, which he reestablished in May 2006 after a period of inactivity. The group updated an existing draft plan, which outlines FEMAC's purpose, mission, and goals for 2006-2007 addressing the following issues:

- Strategies to identify and promote Federal energy management
- Marketing and outreach activities
- Methodologies to publicize Federal successes
- Potential tasks for FEMAC members to address
- Plans to promote FEMP program activities to Federal agencies
- Identification of existing energy management barriers.

The working group also plans to coordinate with FEMP's Program Manager, Rick Khan. Mr. Henderson plans to finalize the work plan this year. The FEMAC working group work plans will be posted on the FEMAC website: <http://www1.eere.energy.gov/femp/about/femac.html>. Mr. Henderson urged participants to visit the website and provide comments on the work plans. He said FEMAC plans to establish a Renewable Energy Working Group, which will be chaired by Anne Marie McShea.

Metering Requirements

Ab Ream from FEMP provided an update on *EPACT 2005* metering requirements:

- Requires Federal agencies to install advanced electric meters in all of their facilities by 2012
- Directs DOE to develop a set of Federal guidelines to interpret the *Act*
- Directs Federal agencies to submit a plan six months after the guidance is issued

Mr. Ream said FEMP organized a task group consisting of ESCOs, stakeholders, universities, metering industry representatives, national laboratories, Federal agencies, and ten different organizations to develop the guidance document.

The document states that using metering data for basic purposes results in two percent energy savings. The guidance document does not display the energy savings at each agency; each agency is responsible for determining their energy savings. Mr. Ream said DOE wants agencies to recognize that the use of meters can help improve energy savings. The document is available on the FEMP website at http://www.eere.energy.gov/femp/operations_maintenance/om_best_practices_guidebook.cfm.

Update on FEMP Activities

On behalf of FEMP's Program Manager, Rick Khan, Rick Klimkos, FEMP's Designated Federal Official for FEMAC provided an overview on the FEMP program:

- FEMP is one of 11 programs in DOE's Office of Energy Efficiency and Renewable Energy (EERE) and is one of two programs focusing on deployment.
- Supports EERE's goal to "lead by example."
- Deploys EERE technology and programs, including Super ESPCs to increase Federal energy efficiency in all Federal agencies
- Strives to enhance energy security, environmental stewardship, and cost reduction within the Federal Government through facilities and fleets
- Provides agencies with financing and acquisition support
- Provides agencies with technical assistance
- Supports departmental policy initiatives and interagency outreach efforts
- Provides information on Federal achievement of *E.O. 13123* goals
- Helps agencies meet *EPACT 2005* goals

Mr. Klimkos announced his plans to retire from the Federal Government on November 3. Mr. Klimkos said he enjoyed working with FEMAC and thanked members for their continuous dedication to Federal energy management. He announced that Shab Fardanesh from FEMP will assume the role of Federal Designated Official for FEMAC. Ms. Fardanesh introduced herself and said she looks forward working with the committee.

Concluding Remarks

Mr. Henderson thanked everyone for attending FEMAC's public meeting. He concluded his remarks by thanking Rick Klimkos for his leadership in assisting FEMAC. Mr. Henderson urged participants to attend future FEMAC public meetings.

ATTACHMENT B

PUBLIC MEETING COMMENTS

FEMAC Questions and Answers

Q-FEMAC) Will there be a public forum if the draft Super ESPC IDIQ contract RFP is issued?

A-DOE) DOE will post the draft RFP on the Industry Interactive Procurement System (IIPS) web site with an accompanying section for the general public to post comments on the RFP. If FEMAC believes conducting a public forum will benefit the RFP process, FEMAC can post this suggestion on the IIPS website. Response will be made available to the public on the IIPS web site. The public should submit comments and questions to the web site as early as possible; the earlier the comments are submitted the more likely comments can be incorporated into the draft RFP.

Q-FEMAC) Many users of the web site are not familiar with online submissions and this is why conducting a public forum would allow DOE to obtain more comments on the draft RFP. Sometimes when comments are submitted online, the meaning of the answers is lost. Through a public forum, the public and DOE can clarify and discuss their concerns more clearly. Is DOE saying the agency cannot hold a public forum?

A-DOE) DOE is open to any suggestions. If FEMAC thinks holding a public forum will be beneficial, DOE will look into this suggestion. One comment submitted through the IIPS web site noted that a public forum is not required for the draft RFP. The current Super ESPC IDIQ contract has been around for the last eight years. Some members of the public believe they have sufficient knowledgeable of the contract and can submit comments via the IIPS web site without a public forum.

Q-FEMAC) Representatives interested in submitting comments on the IIPS web site are waiting for the draft RFP to be issued in order to refer to the draft RFP for specific questions. What is DOE's view on this?

A-DOE) The contract is not a new concept. Representatives of the ESPC community are familiar with the context of the contract. If representatives wait to submit their comments once the draft RFP is issued, there may not be sufficient time to incorporate all the comments. The contract is currently in the planning stages; if comments are submitted now, comments are more likely to be incorporated into the RFP.

Q-FEMAC) When will the draft RFP be issued and how long is the comment period after the RFP is issued?

A-DOE) DOE anticipates the draft RFP will be available by this fall. The public can submit comments through the IIPS system within what they believe is an adequate time frame for a comment period following the release of the RFP.

Q-FEMAC) Is the current Super ESPC IDIQ contract on the IIPS web site?

A-DOE) No, the current Super ESPC IDIQ contract is not available on the IIPS web site. The regional contract and technology-specific contract is available on the FEMP web site at www1.eere.energy.gov/femp/financing/superespcs.html.

Q-FEMAC) The IIPS web site is not user friendly and some commentators have limited knowledge in using web site forms. For individuals who have difficulty in using the IIPS web site is there another way to submit comments?

A-DOE) DOE is required to receive comments through the IIPS web site on FedBiz. Many individuals are not aware of IIPS but they are aware of FedBiz. Through FedBiz, commentators can refer to the IIPS web site. Commentators can also obtain more detailed information on submitting comments on the IIPS web site by visiting the FEMP booth in the exhibition hall at the Energy 2006.

Q-FEMAC) Can DOE also post directions on how to get to the IIPS system on the FEMP web site?

A-DOE) Yes we can arrange that.

Q-FEMAC) What is DOE's internal process for accepting or declining comments submitted through the IIPS system?

A-DOE) Mr. Berg will be the individual deciding whether the comments are accepted or not in conjunction with the Source Selection Board.

Q-FEMAC) What are some of the public's opinions, challenges, and concerns regarding the ESPC and UESC program?

A- Public) I am a representative of AJW. AJW is an energy service company and we plan to take Assistant Secretary Alexander Karsner's challenge to "think outside the box" seriously. AJW plans to draft specific proposals to meet his challenge and we request that FEMAC provide assistance with the guidance on this issue. AJW thanks FEMP and FEMAC for their efforts to promote the ESPC program and plans to comment on the draft Super ESPC IDIQ contract through the IIPS web site. AJW recommends that FEMAC work and communicate with the ESPC community to facilitate an understanding of the ESPC issues. On

another note, DOD has concerns on how the Defense Federal Acquisition Regulations interacts with the competition on the task order level. Clarification on this issue would be helpful. AJW supports Assistant Secretary Karsner's view of appointing a single point of contact at each agency for the Super ESPC contract.

I am a representative of NAVFAC and I believe that third-party financing is the only way we can meet alternative financing goals. This includes using UESC financing options. At the Energy 2006 exhibit hall, there was plenty of outreach material on ESPCs and nothing on the UESC program. Unfortunately, under the UESC program, in general, renewables can not be incorporated.

Q-Public) Is there a reason why FEMAC and the Energy 2006 have not addressed hydrogen fuel in vehicles?

A- FEMAC) Hydrogen fuel is outside the scope of this annual event. DOE's Fossil Energy Program does cover the hydrogen program. Another option would be to attend the FedFleet conference www.fedfleet.org/, which conducts sessions on hydrogen fuel.

Q-Public) Is FEMP planning on adding more financing representatives to achieve Assistant Secretary Karsner's goal of "clearing the deck" of existing f ESPC projects in the contract award pipeline?

A- DOE) FEMP would like to add two to three financing representatives; however, this will depend on FY 2007 funding.

Q-Public) What is the FEMAC's position on restoring the Btu credit for green power?

A- FEMAC) FEMAC has looked into this issue but has not yet reached a consensus. Another option FEMAC has examined is to increase the awareness of renewables through a regional conference.

Q- Public) Can FEMAC consider encouraging DOE to accept plug-in hybrids for vehicle compliance?

A- FEMAC) The committee would be happy to look into this issue.

FEDERAL ENERGY MANAGEMENT ADVISORY COMMITTEE
Resolution 2006-01

ISSUE

FEMAC recommends that DOE make enhancements to the third party financing procedures for ESPC and UESC contracts. A standardization of the key parameters, that are to be submitted by financiers in their respective bids to ESCOs, will ensure a greater consistency of bids and a more straightforward and transparent selection process of the financier for the project. DOE should also institute procedures for the ESCO's disclosure of the financing arrangements that justifies the selected financier. These efforts will help the agency finance representatives to more easily assess the financing value, quantify the project benefits and speed up the cycle times in moving projects from concept to implementation.

RECOMMENDATIONS

Specifically, FEMAC recommends that DOE:

- Establish standardized and straightforward parameters for financier bids and selection (i.e. net present value);
- Continue to require ESCOs to receive a minimum of 3 bids per project from financiers; and
- Require disclosure by the ESCO of the selection process.
- Establish a financial data tracking system of the ESPC/UESC projects and periodically report generic information and findings to the ESCO and financing community.

ATTACHMENT D

**FEDERAL ENERGY MANAGEMENT ADVISORY COMMITTEE
FEMAC PUBLIC MEETING ATTENDANCE
OCTOBER 19, 2006**

FEMAC MEMBERS		
NAME	ORGANIZATION	ATTENDANCE
Brian Henderson FEMAC Chairman	New York State Energy Research and Development Authority	Attended
Edward L. Bradley	Department of Veterans' Affairs	Attended
John P. DiEnna Jr.	Geothermal Heat Pump Consortium	Attended
Roger Duncan	Austin Energy	Did not Attend
David Dykes	Southern Company	Did not Attend
Tia Heneghan	CTG Energetics Inc.	Attended
Brian Jackson	U.S. Treasury	Attended
Richard A. McSeveney	DMJM H+N	Attended
Anne Marie McShea	NJ BPU Clean Energy Program	Attended
John D. Mitchell	ConEdison Solutions	Attended
Anita P. Molino	Bostonia Partners, LLC	Attended
<i>Get Moy, Sustainable Design Working Group Co-Chair</i>	Office of the Deputy Under Secretary of Defense	Attended
FEMAC INVITED PARTICIPANT		
Terrel Emmons	Office of the Architect of the Capitol	Did not Attend

DEPARTMENT OF ENERGY – FEDERAL ENERGY MANAGEMENT OFFICIALS	
NAME	ORGANIZATION
Shabnam Fardanesh	Federal Energy Management Program, Department of Energy
Brad Gustafson	Federal Energy Management Program, Department of Energy
Rick Klimkos	Federal Energy Management Program, Department of Energy
David McAndrew	Federal Energy Management Program, Department of Energy
Bill Raup	Federal Energy Management Program, Department of Energy
Ab Ream	Federal Energy Management Program, Department of Energy
Skye Schell	Federal Energy Management Program, Department of Energy

PUBLIC	
NAME	ORGANIZATION
Scott Waldman	Health and Human Services
Bucky Green	Environmental Protection Agency
Catherine Johnson	Department of Transportation
Chris Hessler	AJW
Meghan Higgins	AJW/Noresco
Craig Meadows	Siemens
Alicia Collier	Honeywell
Colin Murchle	SunEdison, LLC
Jennifer Schafer	Cascade Associates
Michael Selig	NORESCO
John Shonder	ORNL
Karen Thomas	NREL

Seema Vyas	Energetics Incorporated
Mark Wagner	Johnson Controls
Paul Wenner	Siemens
Mary-Lynn Wrabel	Energetics Incorporated