

Case Study:

Vendor Selection for Comprehensive Energy Efficiency Improvements



Background

Our client, a city of 16,000 located in central California, had received multiple approaches and solicitations from various Energy Service Companies (hereafter referred to as ESCOs) who provide turn-key comprehensive water and energy system improvement and operational efficiency programs involving both solar generation and operating equipment upgrades. The City, which has both a Water Enterprise and a Wastewater Enterprise, hoped to make energy-related improvements to both Enterprises as well as to other City buildings and departments. Resource limitations meant that any project would need to be primarily self-financing without drawing on the General Fund.

The City was very interested in embarking on such a comprehensive 'green energy' project but was aware of the many rapid and recent changes taking place in this field both technologically and financially. Consequently, the City did not feel entirely confident about its in-house ability to identify and select the most suitable vendor, make the right choices about the program content, or develop the means of financing the energy improvements. We had provided financial services to them in the past and they were aware that we have significant experience and professional expertise in assisting municipalities and others in addressing the financial and certain other aspects of such energy projects. They asked us if we could help.

Services and Scope of Work

After reviewing the City's needs and goals, we confirmed to them that a number of qualified ESCOs were competent to provide the desired services. We recommended to Staff that in order to ensure that the City selected a contractor that would best fit its overall needs, the best approach would be to issue a Request for Qualifications (RFQ) to qualified contractors who would describe their capability to identify, design, install, maintain, monitor and support financing of large-scale, comprehensive water and energy system improvement and operational efficiency programs.

Staff concurred with this recommendation as it would save large amounts of staff time as compared to working independently with each individual company that approached City Hall, where in each case Staff would have to determine whether the vendor could deliver all the services the City was seeking as well as provide the most cost effective program. The RFQ process would ensure that the City selected a contractor with the best comprehensive delivery approach consistent with the City's needs and desires. Staff thus recommended that the Council accept our suggestion and move forward.

Once this plan was approved by the Council, we were retained by the City to assist it in the RFQ process, with one of our staff serving as a member of an ad hoc committee formed for

the purpose. This committee included the City Manager, the Community Development Director, the Mayor and another Council member, the City's Utility Engineer, the City Engineer and Chief Plant Operator. The committee worked to develop the RFQ to be circulated to prospective respondents.

The RFQ

The RFQ was very thorough and stated that the proposed program should include renewable energy generation (solar), water meter replacement and implementation of system wide automatic meter reading (AMR) capability or Advanced Metering Infrastructure (AMI) capability, water leak detection, conversion of streetlights to Light Emitting Diodes (LEDs), and energy efficient retrofits such as lighting, HVAC systems, and advanced sensors and controls and other energy efficiency measures identified during project development.

The RFQ requested detailed responses that described the ESCO's capability to identify, design, install, maintain, and monitor the contemplated improvements and to assist in obtaining grants, utility rebates, and other low cost sources of funding for these improvements. It further required that the ESCO identify their project management team and provide warranty terms, service and measurement, savings verification and financial guarantees. The committee also developed a set of comprehensive scoring criteria by assigning appropriate weights to the various items in order to ensure that the Statements of Qualifications received were reviewed and judged on a fair and equal basis.

Once completed, the RFQ was then circulated to nine ESCOs with all responses being due to the City approximately four weeks later. Respondents were directed to address any inquiries to both the Community Development Director and to our representative. The City received and accepted six responses from qualified ESCOs for detailed review by the committee.

The Selection Process

After thorough review and consideration of the six responses, the committee decided to shortlist three ESCOs to receive interviews. The interviews were conducted by the City Manager, Community Development Director, a Councilman, the City's Utility Engineer and our representative. The interviews were conducted over a two-day period and lasted several hours each. They were comprehensive and delved into each of the significant areas of the respondent's qualifications in order to maximize the probability of our choosing the proper vendor to meet all the needs of the City and provide the best possible guaranteed savings.

After conducting interviews and careful deliberation the committee chose unanimously to recommend proceeding with 'Company A' as the primary ESCO for the projects and execute a letter of intent so that 'Company A' could begin the Preliminary Water and Energy Assessment, which would contain a detailed energy audit, engineering design, and savings and avoided cost analysis of City infrastructure and facilities. After that assessment was complete, the City expected to proceed to negotiate a final contract with 'Company A'. As provided for in the RFQ, a second ESCO, 'Company B', had also been chosen as a backup in the event that the City proved unable to negotiate satisfactory contract terms with 'Company A'.

Since we had been retained specifically to help guide the City through the selection process, at this point our engagement was complete.

Subsequent Developments

The City later retained us in an additional engagement to help them in evaluating the detailed financial terms of the eventual proposed contract, assist them in evaluating the quality and terms of the warranties and financial guarantees, and advise upon how best to finance the project once its scope had been determined. The financing is presently awaiting acquisition of a physical location for the solar generation component of the project.

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