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Memorandum Date: February 26, 2011
Order Date: March 16, 2011

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: David Suchart, Director

AGENDA ITEM TITLE: ORDER / IN THE MATTER OF Awarding a Contract for Phase 4 of the Performance Contracting Program to McKinstry Essention, Inc., as the Energy Services Company (ESCO) for the Design and Construction of energy saving projects at the Lane County Courthouse/PSB to include the Steam Conversion project.

I. MOTION:

Move Approval of Order 11 -3 -16 - \In the Matter of Awarding a Contract for Phase 4 of the Performance Contracting Program to McKinstry Essention, Inc., as the Energy Services Company (ESCO) for the Design and Construction of energy saving projects at the Lane County Courthouse/PSB to include the Steam Conversion project.

II. AGENDA ITEM SUMMARY:

In April 2008, McKinstry Essention, Inc. (McKinstry), was awarded Phase I of the Performance Contracting Program. Phase I was a Technical Energy Audit (TEA) of the Lane County Adult Corrections facility (LCAC). At the end of that process, and based on decisions by the Eugene Water and Electric Board (EWEB) with regard to steam generation, it was decided to expand the scope to include steam requirements for the Lane County Courthouse and Public Service Building (Courthouse/PSB).

On March 4, 2009, the Board adopted an order to continue to Phase 2, Project Development Plan (PDP). McKinstry has completed the PDP and, after review by LCAC staff, it was concluded to recommend moving on to Phase 3, Design and Construction.

On August 19, 2010, the Board adopted an order awarding Phase 3, the Design and Construction of projects at the LCAC. Those projects were completed in August 2010. The LCAC projects are now in the Measurement and Verification stage.

III. BACKGROUND/IMPLICATIONS OF ACTION:

A. Board Action and Other History

In 2004, at the request of the Jail Commander, Management Services met with corrections facilities staff to discuss various options for upgrading the HVAC systems in the main facility. The estimated cost was thought to be greater than \$1 million and, given the nature of a corrections facility, it was considered critical to ensure round the clock operation.

One proposed consideration for financing was the use of energy saving performance contracting. Performance contracting is a method to purchase energy efficient improvements in buildings. There are three features of this methodology that address the need to replace old inefficient equipment in an environment where there is a lack of funds:

1. A single procurement is used to purchase a complete package of services in which one contractor (the ESCO) is accountable for guaranteed maximum pricing, energy savings, and systems performance.
2. Project financing of the entire project costs, which are offset by annual energy savings, so no up front money is needed.
3. An energy savings performance contract is designed to pay for itself.

The concept was brought to the Facilities Committee and approved for a pilot project at LCAC. The project was put on hold during the DOMC remodel. An RFP was developed in late 2007 and sent out for response in January 2008.

In April 2008, the contract was awarded to McKinstry, and the process continued with a Technical Energy Audit.

The agenda item summary outlines the history of the LCAC project. Due to the inability to measure steam usage in the Courthouse/PSB that conversion was placed on hold. Since EWEB has announced the closing of its steam plant in July 2012 it became imperative that the County move ahead with its conversion plan. Staff has been working with McKinstry to complete that plan in conjunction with other potential energy/efficiency measures.

B. Policy Issues

Performance Contracting has been in use since the 1970s. This method has been utilized by many school districts, local, municipal, and State governments with the need for efficient energy systems and a lack of available capital funds, which has made it both useful and popular. The State of Washington has had an elaborate system for cooperation between the State and local government and schools. The Oregon Department of Energy has recently begun promoting it.

C. Board Goals

Protecting the public's assets by maintaining, replacing, or upgrading the County's investments in systems and capital infrastructure, and identifying ways to improve space and facilities conditions to better serve citizens, insure the adequate maintenance of existing infrastructure, and provide an environment conducive to high employee productivity, as outlined in the Goals and Strategy B.1.d. of the County's Strategic Plan, will be served by the completion of these projects.

D. Financial and/or Resource Considerations

Given the County's financial condition, utilization of a process that could employ current revenue streams without affecting operations should be given consideration as a method for replacement of aging equipment and taking advantage of newer technologies.

The Board has authorized the sale of \$1.5m in Bonds in order to finance the project.

E. Analysis

Option 1:

Scope: Option 1 includes installation of:

- New high-efficiency natural gas fired boilers and domestic hot water heaters to replace the existing heating equipment fired by EWEB Steam.
- By utilizing/leveraging the energy costs savings and avoidance associated with these changes, the County can also install critical changes to their existing infrastructure including
 - Variable frequency drives on the cooling tower motors
 - Moving the cooling tower motors/controls on to the backup/emergency power system
 - Installing a radiator/coolant system on the backup/emergency power generator.

Energy Savings: The annual energy savings (at today's utility rates) associated with these changes is \$11,643. In addition, due to the change in fuel it is estimated that the County will avoid \$100,948 annually in utility costs at today's utility rates.

Environmental:

CO2 emissions will be reduced by 169,400 lbs/year, which is equivalent to removing 11 cars from the road or planting 23 acres of trees.

Price/Cost:

McKinstry's guaranteed maximum pricing is \$1,643,102 for the above referenced scope. These costs are fully reconcilable, and any monies left at the end of the project will kept by Lane County.

F. Alternatives/Options

Alternative 1: Do not approve. The installation schedule for the necessary measure is roughly 12 months. The EWEB shutdown is scheduled for July 2012. This will pose a risk to the County Courthouse building should a delay be caused.

Alternative 2: Complete just the necessary boiler and domestic hot water upgrades to alleviate the EWEB disconnect in July 2012.

IV. TIMING/IMPLEMENTATION

System design will start immediately with construction/installation to begin September 2011, with completion in May 2012.

V. RECOMMENDATION

Implement Option 1 and proceed with Design and Construction.

VI. FOLLOW-UP

Upon adoption by the B/CC, a contract to implement Phase 4, Design and Construction, will be prepared for signature by the County Administrator and McKinstry.

VII. ATTACHMENTS

Board Order

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO. 11 – 3 - 16 -) ORDER/IN THE MATTER OF AWARDING A
) CONTRACT FOR PHASE 4 OF THE
) PERFORMANCE CONTRACTING PROGRAM
) TO MCKINSTRY ESSENTION, INC., AS THE
) ENERGY SERVICES COMPANY (ESCO) FOR
) THE DESIGN AND CONSTRUCTION OF
) ENERGY SAVING PROJECTS AT THE LANE
) COUNTY COURTHOUSE/PSB TO
) INCLUDE THE STEAM CONVERSION PROJECT.

WHEREAS, Eugene Water and Electric Board (EWEB) has determined it is no longer cost effective to produce and sell steam to its customers, and is discontinuing its Steam Generation service in July 2012, and

WHEREAS, Lane County has need for replacing the existing heating systems serviced by EWEB steam at the Lane County Courthouse/Public Service Building (CH/PSB), and

WHEREAS, Phases 1, 2 and 3 of the Performance Contracting Program, the Technical Energy Audit (TEA), the Project Development Plan (PDP), and the Design and Construction (D&C) of energy savings projects at the Lane County Adult Corrections have been successfully completed by McKinstry Essention, Inc. (McKinstry), and

WHEREAS, energy costs savings and avoidance associated with the installation of new high-efficiency heating equipment at the CH/PSB will allow the County to install other critical changes to the existing infrastructure, and

WHEREAS, the Board of County Commissioners has authorized the sale of bonds in the amount of \$1.5 million to finance the project, now, therefore,

IT IS HEREBY ORDERED that the firm of McKinstry is hereby awarded the contract for Energy Services Company services for Phase 4, Design and Construction of energy saving projects at the Lane County Courthouse/Public Service Building to include the Steam Conversation Project.

IT IS FURTHER ORDERED that the County Administrator is delegated authority to execute such a contract.

Dated this 16th day of March, 2011.

APPROVED AS TO FORM
Date 3/4/11 lane county
J. Zaidman
OFFICE OF LEGAL COUNSEL

Faye Stewart, Chair
Board of County Commissioners