

DAVID Y. IGE
GOVERNOR



BONNIE KAHAKUI
ACTING ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>
Twitter: @hawaiispo

August 31, 2021

TO: Executive Departments/Agencies City and County of Honolulu
Department of Education Honolulu City Council
Hawaii Health Systems Corporation Honolulu Board of Water Supply
Office of Hawaiian Affairs Honolulu Authority for Rapid Transportation
University of Hawaii County of Hawaii
Public Charter School Commission Hawaii County Council
and Schools County of Hawaii-Department of Water Supply
House of Representatives County of Maui
Senate Maui County Council
Judiciary County of Maui-Department of Water Supply
County of Kauai
Kauai County Council
County of Kauai – Department of Water

FROM: Bonnie Kahakui, Acting Administrator *Bonnie A. Kahakui*

SUBJECT: **Change No. 8**
SPO Vendor List Contract No. 19-08
ENERGY SAVINGS PERFORMANCE CONTRACTING - Statewide
Expires: April 14, 2024
RFP-19-002-SW

The following changes are made to the vendor list contract:

- Update the Point of Contact for Trane U.S. Inc.
- Update the Point of Contact for DOE and HART.

The current vendor list contract incorporating Change No. 8 is available on the SPO website: <http://spo.hawaii.gov>. Click on *Price & Vendor List Contracts* on the home page.

If you have any questions, please contact Matthew Chow at (808) 586-0577 or matthew.m.chow@hawaii.gov.

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**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

SPO Price List Contract No. 19-08
Replaces SPO PL Contract No. 12-11
Includes Change No. 8
Effective: 08/31/2021

THIS SPO PRICE/VENDOR LIST CONTRACT IS FOR AUTHORIZED BUSINESS ONLY

ENERGY SAVINGS PERFORMANCE CONTRACTING - STATEWIDE
(RFP-19-002-SW)
April 15, 2019 to April 14, 2024

PARTICIPATING JURISDICTIONS listed below have signed a cooperative agreement with the SPO and are authorized to utilize this price list contract.

Executive Departments/Agencies	City and County of Honolulu
Department of Education	Honolulu City Council
Hawaii Health Systems Corporation	Honolulu Board of Water Supply
Office of Hawaiian Affairs	Honolulu Authority for Rapid Transportation
University of Hawaii	County of Hawaii
Public Charter School Commission and Schools	Hawaii County Council
House of Representatives	County of Hawaii – Department of Water Supply
Senate	County of Maui
Judiciary	Maui County Council
	County of Maui – Department of Water Supply
	County of Kauai
	Kauai County Council
	County of Kauai – Department of Water

The participating jurisdictions are not required, but may utilize this vendor list contract, and requests for exception from the contract are not required. Participating jurisdictions are allowed to purchase from other contractors, however, HRS chapter 103D and the procurement rules apply to purchases using the applicable procurement method and its procedures, such as small purchases, competitive sealed bidding or request for proposals. The decision to use this contract or to solicit pricing from other sources will be at the discretion of the participating jurisdiction.

POINTS OF CONTACT. Questions on how to utilize this vendor list contract should be directed to Chris Kinimaka, DAGS Planning Branch Works at (808) 586-0500. Other questions may be directed to Matthew Chow, SPO at (808) 586-0577.

Procurement questions or concerns may be directed as follows:

Jurisdiction	Name	Phone	FAX	E-mail
Executive	Matthew Chow	586-0577	586-0570	matthew.m.chow@hawaii.gov
DOE	Procurement Staff	675-0130	675-0133	G-OFS-DOE-Procurement@k12.hi.us
HHSC	Nancy Delima	359-0994	N/A	ndelima@hhsc.org
OHA	Christopher Stanley	594-1833	594-1865	chriss@oha.org
UH	Karlee Hisashima	956-8687	956-2093	karlee@hawaii.edu
Public Charter School Commission and Schools	Danny Vasconcellos	586-3775	586-3776	dannny.vasconcellos@spcsc.hawaii.gov
House	Brian Takeshita	586-6423	586-6401	takeshita@capitol.hawaii.gov
Senate	Carol Taniguchi	586-6720	586-6719	c.taniguchi@capitol.hawaii.gov
Judiciary	Tritia Cruz	538-5805	538-5802	tritia.l.cruz@courts.hawaii.gov
C&C of Honolulu	Procurement Specialist	768-5535	768-3299	bfspurchasing@honolulu.gov
Honolulu City Council	Kendall Amazaki, Jr. Nanette Saito	768-5084 768-5085	N/A 768-5011	kamazaki@honolulu.gov nsaito@honolulu.gov
Honolulu Board of Water Supply	Procurement Office	748-5071		fn_procurement@hbws.org
HART	Dean Matro	768-6246	N/A	dean.matro@honolulu.gov
County of Hawaii	Diane Nakagawa	961-8440	N/A	Diane.Nakagawa@hawaiicounty.gov
Hawaii County Council	Diane Nakagawa	961-8440	N/A	Diane.Nakagawa@hawaiicounty.gov
County of Hawaii – Department of Water Supply	Ka’iulani Matsumoto	961-8050 ext. 224	961-8657	kmatsumoto@hawaiidws.org
County of Maui	Jared Masuda	463-3816		jared.masuda@co.maui.hi.us
Maui County Council	Marlene Rebugio	270-7838	N/A	marlene.rebugio@mauicounty.us
County of Kauai	Ernest Barreira	241-4295	241-6297	ebarreira@kauai.gov
Kauai County Council	Lisa Ishibashi Scott Sato	241-4820 241-4810	241-6349 241-6349	lishibashi@kauai.gov ssato@kauai.gov
County of Kauai – Department of Water	Marcelino Soliz	245-5470	241-5813	msoliz@kauaiwater.org

PRE-QUALIFIED Energy Service Company (ESCO):

- Aecom Technical Services, Inc.
- CEG Solutions LLC
- ENGIE Services U.S. Inc.
- Johnson Controls, Inc.
- NORESKO, LLC
- Siemens Industry, Inc.
- Trane U.S. Inc.

VENDOR CODES for annotation on purchase orders are obtainable from the *Alphabetical Vendor Edit Table Report* available at your department's fiscal office. Agencies are cautioned that the remittance address on an invoice may be different from the address of the vendor code annotated on the purchase order.

COMPLIANCE PURSUANT TO HRS §103D-310(c). Prior to awarding this contract, the SPO verified compliance of the Contractor(s) named in the SPO Vendor List Contract No. 19-08. *No further compliance verification is required prior to issuing a contract, purchase order, or pCard payment when utilizing this contract.*

PURCHASING CARD (pCard). The State of Hawaii Purchasing Card (pCard) is required to be used by the Executive departments/agencies, excluding DOE, HHSC, OHA and UH, for orders totaling less than \$2,500. For purchases \$2,500 or more, agencies may use the pCard, subject to its credit limit, or issue a purchase order.

PURCHASE ORDERS may be issued for purchases \$2,500 or more; and for Contractors who either do not accept the pCard, set minimum order requirements before accepting the pCard for payment, or charge its customers a transaction fee for the usage.

SPO PL CONTRACT NO. 19-08 shall be typed on purchase orders issued against this vendor list contract. For pCard purchases, the SPO VL Contract No.19-08 shall be notated on the appropriate transaction document.

STATE GENERAL EXCISE TAX (GET) AND COUNTY SURCHARGE shall not exceed the following rates if seller elects to pass on the charges to its customers.

COUNTY	COUNTY SURCHARGE TAX RATE	STATE GET	MAX PASS-ON TAX RATE	EXPIRATION DATE OF SURCHARGE TAX RATE
C&C OF HONOLULU	0.50%	4.0%	4.7120%	12/31/2030
HAWAII	0.50%	4.0%	4.7120%	12/31/2030
COUNTY OF MAUI (including Molokai and Lanai)	0.0%	4.0%	4.1666%	No county surcharge
KAUAI	0.50%	4.0%	4.7120%	12/31/2030

The GET or use tax and county surcharge may be added to the invoice as a separate line item and shall not exceed the current max pass-on tax rate(s) for each island.

County surcharges on state general excise (GE) tax or Use tax may be visibly passed on but is not required. For more information on county surcharges and the max pass-on tax rate, please visit the Department of Taxation’s website at <http://tax.hawaii.gov/geninfo/countysurcharge>.

PAYMENTS are to be made to the Contractor(s) remittance address. HRS §103-10 provides that the State shall have thirty (30) calendar days after receipt of invoice or satisfactory completion of contract to make payment. Payments may also be made via pCard.

VENDOR AND PRODUCT EVALUATION form SPO-012, for the purpose of addressing concerns on this price list contract, is available to agencies at the SPO website: <http://spo.hawaii.gov>. Click on *Forms* on the homepage.

PRICE OR VENDOR LIST CONTRACT AVAILABLE ON THE INTERNET at the SPO website: <http://spo.hawaii.gov>. Click on *Price & Vendor List Contracts* on the home page.

DEFINITIONS

Commissioning is a quality focused process for enhancing the delivery of a project. The process focuses upon verifying and documenting that the facility and all of its systems and assemblies are planned, designed, installed, tested, operated, and maintained to meet the Owner's Project Requirements (Adapted from ASHRAE Guideline 0-2005). The process is typically described in a Commissioning Plan that outlines the organization, schedule, allocation of resources, and documentation requirements of the Commissioning Process. The results are typically described in a Commissioning Report

which is a document that records the activities and results of the Commissioning Process. Usually developed from the final Commissioning Plan with all of its attached appendices.

Contractor is a pre-qualified energy service company from the vendor list (ESCO).

Design-build is the process of concurrently developing project scope and design documents (i.e. plans and specifications) for expedited construction and implementation of approved ECM improvements by an ESCO.

ECM is the energy conservation measure which is a project task or improvement that would result in the conservation of electrical energy, other resources (i.e. water; solid waste disposal; heat generation, etc), reduction in utility costs, operating costs, or the generation of renewable energy.

Energy cost savings is the computed dollar amount of utility or operating cost savings based on the savings actual amount of energy saved (such as kilowatt-hours; gallons of water; pounds or volume of solid waste disposal; BTU of heat, etc), or renewable energy generated.

Energy savings is the reduction in electrical energy consumption (i.e. kilowatt-hours), the need for other resources (such as: gallons of water; pounds or volume of solid waste disposal; units of generated heat, etc), operational costs, or renewable energy generated.

ESCO means an “energy service company” that provides energy savings performance contracting including “project management” and “design-build” services for ECM improvements that are funded by the “cash flow” resulting from “energy cost savings”.

ESCO project team is the ESCO staff, design consultant firm(s), subcontractors and their respective role and qualifications that the ESCO proposes to use during implementation of the ESPC projects.

ESPC means Energy Savings Performance Contracting or Energy Performance Contract means an executed agreement or contract between a State or County agency and a selected “pre-qualified ESCO” for implementation of approved ECM improvements using the cash flow resulting from the ESCO “guaranteed energy savings”; also called GES agreement or contract.

Facility or facilities mean facilities are broadly defined to include but are not limited to buildings, airports, harbors, roadways, highways (including tunnel facilities), parking facilities, athletic fields, sport complexes, stadiums, recreational facilities, educational facilities, libraries, residential facilities, correctional facilities (including work furlough centers, jails, and prisons), Judiciary facilities (including courthouses and detention facilities), military facilities, pumping stations (including water and wastewater facilities), treatment facilities (including water, and wastewater facilities), refuse facilities (including resource recovery

facilities), and maintenance support facilities (including base yards, corporation yards, and maintenance facilities).

Facility Owner is the State or County agency responsible for management and operations of a facility and may also be responsible for the costs of utility services.

GES means Guaranteed Energy Savings. GES is the ESCO's commitment to a State or County agency that approved ECM improvements, based on a completed Investment Grade Audit, will achieve designated energy, and other savings that can be used as the basis for State or County agency to obtain financing which may include, but not be limited to, tax exempt lease purchase financing, bond funds, and other sources of financing that the agency chooses to use to finance the project.

IFP means Invitation for Proposal. IFP is the part of the secondary solicitation process, the Invitation for Proposal (IFP) is the solicitation document given to prospective pre-qualified ESCOs that are invited to submit proposals on a Facility Owner's ESPC project.

IGA means Investment Grade Audit, which is a detailed ESCO assessment on proposed ECM improvements with guaranteed energy savings (GES) and maximum project cost that a pre-qualified ESCO develops for a State or County ESPC project (after selection based on submittal of a TEA document during the secondary solicitation process). The guaranteed energy savings cash flow from the IGA assessment may also be used as the basis for securing third party financial institution funding for approved ECM improvements.

IGA contract is the contract between a State or County agency that authorizes a selected "pre-qualified ESCO" to develop the Investment Grade Audit (IGA). If findings and determinations of the final IGA report are mutually acceptable to all parties, the cost for development of the IGA assessment can be "rolled into" the maximum project cost under a subsequently executed GES contract. Otherwise, the selected "pre-qualified ESCO" will only be paid for development of the IGA assessment under the executed contract.

M&V plan is a measurement and verification (M&V) plan, which are the protocols and methodologies to be used for the annual measurement and verification of the actual amount of energy, water, wastewater, and other resource savings achieved. This may include renewable energy generated if it is included in the specific ESPC project.

Municipal lease agreement is an executed agreement between the State of Hawaii and a third-party financial institution that is willing to finance approved ECM improvements that is typically repaid through the cash flow resulting from guaranteed energy savings (GES) generated by the ESPC project.

O&M Plan is the operations and maintenance (O&M) plan, which may include the scope of work requirement, work schedule, and cost estimate developed by the ESCO for the operation and maintenance of the ECMs for the ESPC project.

Open book pricing means the ESCO listing of maximum mark-ups for equipment costs, material costs, ESCO in-house labor costs, design consultant team labor and material costs, subcontractor labor and material costs, overhead and profit factors and ESCO fees for various scope of work items (including IGA).

Secondary solicitation process means the State or County agency solicitation of “pre-qualified ESCO” for proposals on specific energy project objectives through a Invitation For Proposals (IFP) solicitation process.

Substantial Completion means the facility can be fully utilized for its intended purpose, work is complete, even if it’s not accepted, yet.

TEA means the Technical Energy Assessment (TEA), which is a preliminary ESCO assessment on possible “energy conservation measure (ECM)” improvements with preliminary construction budget estimate and estimated “energy savings” that are within 20% of any subsequent ESCO project development proposal on “guaranteed energy savings.” The proposal, including the TEA, submitted by invited “pre-qualified ESCOs” from the SPO vendor list contract will be provided “at no cost to the State agency or County agency” during the secondary solicitation process.

Third party financial institution is the financing company (or companies) that are approved by the State for “municipal lease agreement(s).

INSTRUCTIONS ON HOW TO UTILIZE THIS VENDOR LIST CONTRACT

A. Vendor List Project Phases

1. General Solicitation Process

a. Facility Owner Secondary Solicitation Process Overview

- i. Identify the facility/site.
- ii. Recommend that the Facility Owner retain a third-party independent consultant to assist the Facility Owner through the process, evaluate proposals and evaluate the IGA.
- iii. Prepare an Invitation for Proposal (IFP) document for the specific ESPC project that includes as much technical information about the facilities or sites as can be assembled by the Facility Owner, evaluation criteria, objectives for the project and any other conditions of the project.

The Invitation for Proposal (IFP) solicitation document to be provided to prospective ESCOs from the SPO vendor list contract should include the following at the minimum:

- (a) Technical scope of the project (may include information on the facilities, project goals or objectives that are important to the Facility Owner, improvement projects completed and proposed, multiple years of utility data, etc.);
- (b) Selection process and evaluation criteria;
- (c) Project schedule; and
- (d) Payment milestones
- (e) Deliverables
- (f) Key performance indicators
- (g) Special project terms and conditions
 - A. Technical
 - B. Contractual
 - C. Legal (e.g. HRS references, Equipment Lease Rider, general conditions, etc.)
- iv. Determine interest of the ESCOs in the project by formally notifying all ESCOs on the SPO vendor list contract. A Request for Information (RFI) specific to project being considered may be used to determine interest. Failure of the ESCO to respond in a timely period, or their negative response may be used to reduce the number of ESCOs that will receive the IFP. Distribute the IFP to qualified, interested ESCOs. Disclose if a mandatory facility walk-through is required. The list of interested ESCOs, can be shortened using the process described in optional section listed below.

Optional. The Facility Owner process to create a shorter and more manageable ESCO list from the SPO vendor list contract.

- (a) A selection committee comprised mainly of Facility Owner staff will select three (3) or more pre-qualified ESCO on the established SPO vendor list contract using the following general process:
 - A. Review the 5-page overview of each currently eligible ESCO from the ESCO's response to RFP-19-002-SW.
 - B. Consider the ESCO's involvement in the particular market sector or similar sector that is related to the type of facility/project being considered.
 - C. Consider the size of facility/project being considered.
 - D. Review information provided in ESCO's response to RFP-19-002-SW.
 - E. Other factors of importance to be determined by the Facility Owner.
- (b) The Facility Owner shall document the basis for selecting ESCOs to receive the IFP.
- (c) If an ESCO declines this invitation, it is not necessary to identify another ESCO to take its place.
- v. If applicable, arrange walk-through or inspection of the facilities or sites for the interested ESCOs. Ample time should be provided to ESCOs during the walk-through to allow them adequate opportunity to understand conditions at the facilities that will be the basis for their subsequent ECM proposals. Be careful on limiting the number of ESCO staff on a walk-through to allow them to include adequate expertise for their team to provide a better TEA.
- vi. ESCOs will then develop their proposals including the preliminary Technical Energy Assessment (TEA) and required cost information.
- vii. Receive the proposals from interested ESCOs.
- viii. Conduct the evaluation of the proposals which may involve reviewing or conducting:
 - (a) Written Proposals,
 - (b) Client References, and
 - (c) Oral Interviews.
- ix. Select the highest-ranked ESCO based on the evaluation criteria in the IFP to conduct the Investment Grade Audit (IGA).

- x. Contract with the ESCO to conduct the Investment Grade Audit (IGA).
 - xi. Review the IGA results, negotiate with the ESCO as necessary, and either approve the proposed projects, or disapprove the project and settle payment of the IGA cost with the ESCO.
 - xii. If the project is approved, negotiate and execute an energy savings performance contract (e.g. GES agreement) and any other necessary agreements or contracts. If applicable, a separate lease financing agreement may also be negotiated and executed with a third-party financial institution.
 - xiii. Design and construction begins with ESCO providing oversight.
 - xiv. All construction of the ECMs are completed and accepted, which includes commissioning.
 - xv. Guaranteed savings performance period begins.
 - xvi. Ongoing maintenance of the ECMs implemented by either the Facility Owner, its service contractors or the ESCO if negotiated, as required to maintain the performance guarantee.
 - xvii. Ongoing annual measurement and verification (M&V) to confirm if the performance guarantee is being met on the ECMs by the ESCO.
 - xviii. Other ongoing services within the scope of the master contract as may be negotiated with the ESCO.
- b. Distribution of the IFP document

Determine interest of the ESCOs in the project by formally notifying all ESCOs on the SPO vendor list contract. A Request for Information (RFI) specific to project being considered may be used to determine interest. Failure of the ESCO to respond in a timely period, or their negative response may be used to reduce the number of ESCOs that will receive the IFP. Distribute the IFP to qualified, interested ESCOs. Disclose if a mandatory facility walk-through is required.

- c. Optional. The Facility Owner process to create a shorter and more manageable ESCO list from the SPO vendor list contract.
- i. A selection committee comprised mainly of Facility Owner staff will select three (3) or more pre-qualified ESCO on the established SPO vendor list contract using the following general process:
 - (a) Review the 5-page overview of each currently eligible ESCO from the ESCO's response to RFP-19-002-SW by contacting the Chris Kinimaka (Public Works Division) at 808-586-0500 or

chris.kinimaka@hawaii.gov. Please be aware that these records contain confidential business/commercial and proprietary information protected under section 92F-13(3), Hawaii Revised Statutes. Agencies receiving this information are required to keep the information in these records confidential under section 92F-19(b), Hawaii Revised Statutes.

- (b) Consider the ESCO's involvement in the particular market sector or similar sector that is related to the type of facility/project being considered.
 - (c) Consider the size of facility/project being considered.
 - (d) Review information provided in ESCO's response to RFP-19-002-SW by contacting the Chris Kinimaka (Public Works Division) at 808-586-0500 or chris.kinimaka@hawaii.gov. Please be aware that these records contain confidential business/commercial and proprietary information protected under section 92F-13(3), Hawaii Revised Statutes. Agencies receiving this information are required to keep the information in these records confidential under section 92F-19(b), Hawaii Revised Statutes.
 - (e) Other factors of importance to be determined by the Facility Owner.
- ii. The Facility Owner shall document the basis for selecting ESCOs to receive the IFP.
 - iii. If an ESCO declines this invitation, it is not necessary to identify another ESCO to take its place.
- d. The Invitation for Proposal (IFP) solicitation document to be provided to prospective ESCOs from the SPO vendor list contract should include the following at the minimum:
- i. Technical scope of the project (may include information on the facilities, project goals or objectives that are important to the Facility Owner, improvement projects completed and proposed, multiple years of utility data, etc.);
 - ii. Selection process and evaluation criteria;
 - iii. Project schedule; and
 - iv. Payment milestones
 - v. Deliverables
 - vi. Key performance indicators
 - vii. Special project terms and conditions
 - (a) Technical
 - (b) Contractual
 - (c) Legal (e.g. HRS references, Equipment Lease Rider, general conditions, etc.)

2. The ESCO proposal in response to the IFP, developed at no cost to the Facility Owner, should contain at the minimum the following:
 - a. Technical energy assessment (TEA) with possible “energy conservation measure (ECM)” improvements that provide guaranteed energy savings. This include an overview summary table that lists the project budget estimate and related energy savings for each possible ECM considered with other line item project costs (such as IGA development cost, commissioning, construction contingency allowance, etc.) that roll up to the maximum project cost.
 - b. Preliminary cost estimates with estimated energy savings that need to stay within 20% of any subsequent ESCO guaranteed energy savings (GES) proposal with the exception for unforeseen conditions as negotiated with the Facility Owner. The Facility Owner may specify the format and type of information required in the proposal submittal. This should include a cash flow analysis over the full term of the ESPC contract, not to exceed 20 years including the construction period in accordance with HRS Chapter 36-41. The cash flow analysis, at a minimum, should show all annual costs, savings (e.g., ECM savings, operational savings, etc.), rebates, renewable energy impacts, estimated maintenance costs for ECMs, and any other items required by the Facility Owner for the full term of the project (up to a maximum of 20 years inclusive of the construction period). Assumptions or the basis for the costs and savings estimates should be clearly stated.
 - c. The actual ESCO team that will be used for the Facility Owner’s specific facilities or project and their percentage of time on the project by person.
 - d. If facility energy simulation modeling is used to model existing conditions and predict ECM performance (i.e. energy savings or use), the ESCO should disclose all assumptions used in developing the models for each facility and approach used in the models. Deviations from standard protocols or procedures required by the specific model (e.g., eQuest) should be noted and explained.
 - e. Fees to complete an investment grade audit (IGA) with project development proposals on proposed ESPC projects that have ECM improvements with guaranteed energy savings (GES).
 - f. If innovative or exotic technologies are being proposed by the ESCO, information should be provided on previous installations on similar projects, including cost and performance results, and the ESCO’s current availability of resident expertise or demonstrated consultant relationships established (e.g., expertise and experience on installation and operation of a biomass boiler to gasify green waste, water flush control devices for correctional facilities, etc.) to implement the technology.

- g. Warranties for all equipment and materials installed under the ECMs should include description of terms and conditions who is responsible to perform under the warranties.
 - h. Operational and maintenance responsibilities for all completed and installed ECMs with description of terms and conditions on who is responsible for handling emergency responses and routine repair situations.
3. The evaluation criteria used by the selection committee, which may be modified by the Facility Owner as necessary, should generally include:
- a. **Qualifications and Project Experience**
 - i. Qualifications and experience of ESCO's personnel with guaranteed energy savings contracts on projects similar to the Facility Owner's project.
 - ii. Reliability of equipment performance on past projects.
 - iii. Documented energy savings on past projects similar to the Facility Owner's project.
 - iv. Quality and completeness of past project documentation.
 - b. **Project Management**
 - i. Clear assignment of responsibility for various project tasks to specific individuals.
 - ii. Ability to effectively manage project design, construction and complete the project on schedule and within budget.
 - iii. Quality of approach to operations and maintenance.
 - iv. Quality of monitoring, maintenance, measurement and verification services, and reporting on past projects.
 - v. Clarity, organization, and level of detail in written proposal.
 - vi. Quality of communication skills of the ESCO's representatives at the oral interview.
 - c. **Technical Approach**
 - i. Quality of technical approach, including methods of analysis and understanding of existing building systems and conditions, documentation for measures installed.
 - ii. Quality of approach to project commissioning.
 - iii. Quality of sample investment grade audit for project similar to the Facility Owner's project.
 - iv. Quality of baseline energy calculations and methodology for handling modifications/changes to the baseline.
 - v. Quality of proposed training for facility staff.
 - vi. Quality of approach to savings measurement and verification.
 - vii. Quality of sample documentation.
 - viii. Quality of customer savings reports for similar clients to the Facility Owner.

- ix. Quality of preliminary technical approach based on the technical energy assessment developed after the facility walk-through.
 - d. **Financial Stability**
 - i. Financial soundness and stability of ESCO.
 - ii. Demonstrated ability to provide or arrange project financing.
 - iii. Reasonableness of investment grade audit costs. For example, is it reasonable when compared with industry standards (i.e., Are the costs high or low?).
 - iv. Reasonableness of Preliminary Cash Flow Analysis.
 - v. Quality and cost of the financial guarantee of savings. For example, this may relate to the ratio of annual cost to annual savings. A ratio of 95% would allow a 5% margin of uncertainty. Another item might be the cost of their annual guarantee of savings compared to the annual savings (e.g., annual cost of M&V and O&M compared to annual savings). A ratio of 5% may be more reasonable than a ratio of 40% of the annual savings.
 - e. **Other**
 - i. Facility Owner may require additional criteria unique to its own facility/project requirements and situation.
4. The Investment Grade Audit (IGA) contract is intended to be handled as follows:
- a. Clearly state in the IGA contract that the Facility Owner owns all information contained in the IGA and has the right to use the information to its benefit.
 - b. Executed IGA contract will authorize the selected pre-qualified ESCO to complete an IGA with project development proposals on (ECM) improvements, savings, construction budget cost estimates for proposed ECM improvements proposed ESCO (GES) which the Facility Owner may use to secure ESPC project funding from a third-party financial institution.
 - c. The final IGA will set specific expectations and provide a detailed process for both the selected pre-qualified ESCO and the Facility Owner. The final IGA will also define:
 - i. The deliverables to the Facility Owner;
 - ii. Identify and evaluate ECM measures and define the proposed ESPC project scope;
 - iii. All costs;
 - iv. Cash-flow savings;
 - v. Cash-flow model over the proposed GES financing term;
 - vi. Be the basis for an ESPC project that will present aggregated measures which can be financed through ESCO (GES) project;

- vii. Will incorporate applicable State laws that directly impact implementation of energy saving performance contracting services for the Facility Owner;
 - viii. A design and construction schedule for the implementation of all ECMs; and
 - ix. Bond and insurance requirements.
- d. Facility Owner shall have no payment obligations to the selected pre-qualified ESCO for the final IGA with project development proposals that is conducted under the executed IGA contract if:
- i. Facility Owner and selected pre-qualified ESCO shall execute a GES contract for an ESPC project that includes the payment for the IGA that was accepted by the Facility Owner and the ESCO proposal for Facility Owner approved ECM improvements can be incorporated at no “up-front cost” to the Facility Owner into a GES contract or agreement or
 - ii. The ESCO determines at any time during the IGA development process that the GES needed to meet the Facility Owner’s energy saving goals, terms and conditions cannot be attained and the IGA is terminated by written notice from the selected pre-qualified ESCO to the Facility Owner; or
 - iii. The final IGA with project development proposals do not contain a package of “energy savings” which, if implemented, will provide the Facility Owner with the cash flow savings sufficient to fund Facility Owner with payments for all costs and fees associated with the proposed ESPC project, which includes but is not limited to:
 - (a) the fee associated with the completion of the final IGA;
 - (b) all payments on a lease purchase agreement to finance the proposed ECM improvements;
 - (c) any annual fees for monitoring and maintenance incurred by the selected pre-qualified ESCO and any other annual fees (such as for staff training, etc); and
 - (d) analysis is to be based on proposed financing terms, including a conventional, fully amortized lease-purchase agreement not to exceed the GES duration over a fixed rate or interest actually available to the Facility Owner.

B. Implementation of Approved Energy Savings Performance Contract (ESPC) Project

1. Upon satisfactory completion of the IGA, the Facility Owner has the option to implement an energy saving performance contract (ESPC) project that is based on ESCO guaranteed energy savings (GES) for approved energy conservation measure (ECM) improvements by the selected/pre-qualified ESCO that is conducted under a GES contract. It is intended that the executed GES contract will define:

- a. The final agreed upon scope of work with all associated costs;
- b. Mutual responsibilities for the selected/pre-qualified ESCO and the Facility Owner, as well as approved (ECM) improvements;
- c. The equipment and labor costs associated with them;
- d. All guaranteed energy savings;
- e. Maintenance cost savings;
- f. ECMs are owned by the Facility Owner who may use it for its benefit with no limitation on use;
- g. Cost, including all contract modifications, shall be within twenty per cent of the preliminary cost estimated in the Technical Energy Assessment with the exception for unforeseen conditions as negotiated with the Facility Owner.

At a minimum, the executed GES contract will also incorporate applicable State laws that directly impact energy saving performance contracting services for State or County agencies, including bond and insurance requirements. The contract should also indicate that the ESCO will need to at all times, observe and comply with applicable county, State and Federal laws, ordinances, rules and regulations.

2. A separate State financing agreement may be executed to address payment schedules for “design-build” construction work by the selected pre-qualified ESCO and payment schedules for third party financial institutions (if needed) from the “cash flow model” based on ESCO GES.
3. After execution of a GES contract for an approved ESPC project, it is intended the selected pre-qualified ESCO will proceed to final design, construction, and commissioning of approved ECM improvements.

C. (GES) Performance Duration Period

1. It is anticipated the duration period of executed GES contracts with the selected pre-qualified ESCO will begin upon substantial completion of completed ECM improvements by the selected pre-qualified ESCO.
2. It is also anticipated over the duration of the GES contract, the selected pre-qualified ESCO may still be responsible for providing a number of services until the end of the GES contract, such as but not limited to:
 - a. Measurement and verification of savings (e.g., energy, water, wastewater, operational costs, etc.);
 - b. Facility Owner staff training;
 - c. Reporting as required by the Facility Owner;
 - d. Possibly, contract maintenance services and
 - e. Other services as required by the Facility Owner.

Proposal evaluation shall be done by a selection committee comprised mainly of Facility Owner staff to review and evaluate the ESCO proposals received and select one (1) ESCO to do an investment grade audit (IGA) with project development proposals. Facility Owner will then execute an IGA contract with the selected ESCO.

**PRE-QUALIFIED
ESCO
CONTRACTOR
INFORMATION**

Aecom Technical Services, Inc.



Contact Name: Alex Cross
Address: 1001 Bishop Street, Suite 1600
Honolulu, HI 96813

Phone: (808) 529-7264
Fax: (808) 426-8125
E-mail: Alex.Cross@aecom.com

Payment Address: AECOM Technical Services, Inc.
1178 Paysphere Circle
Chicago, IL 60674

CEG Solutions LLC



Contact Name: Jonathan Brown
Phone: (626) 607-6684
E-mail: jonathan.brown@cegsolutions.com

Payment Address: CEG Solutions LLC
4040 N. Fairfax Drive, Suite 700
Arlington, VA 22203

ENGIE Services U.S. Inc.



Contact Name: Kristen Fornes
Address: 1099 Alakea Street, Suite 2520
Honolulu, HI 96813

Phone: (773) 913-4410
E-mail: Kristen.Fornes@engie.com

Payment Address: ENGIE Services U.S. Inc.
500 12th Street, Suite 300
Oakland CA 94607

Payment by Check via Regular Mail:
ENGIE Services U.S. Inc.
PO BOX 31001-2204
Pasadena, CA 91110-2204

Payment by Check via Overnight Mail:
ENGIE Services U.S. Inc.
Lockbox Number 912204
Pasadena Tech Center
465 N. Halstead Street, Suite 160
Pasadena, CA 91107

Electronic Payments:
CIBC
120 S. LaSalle Street
Chicago, IL 60603
ABA#: 071006486
Beneficiary: ENGIE Services U.S. Inc.
Beneficiary Account Number: 2443043

Johnson Controls, Inc.



Contact: J. Brody McMurtry, Esq
Account Executive
Address: 550 Paiea Street Suite 210
Honolulu Hawaii 96819
Phone: (808) 342-8682
Fax: N/A
e-mail: brody.mcmurtry@jci.com

Payment Address: Johnson Controls, Inc.
PO Box 730068
Dallas, TX 75373

NORESCO LLC



Contact: Nicole A. Velasco
Address: 3375 Koapaka Street
Suite F220-26
Honolulu, HI 96819
Cell: (808) 304-3716
Fax: (808) 834-1813
E-mail: nvelasco@noresco.com

Payment Address: NORESKO, LLC
ATTN: Account Receivable
PO Box 223084
Pittsburgh, PA 15251

Siemens Industry, Inc.

SIEMENS

Ingenuity for life

Contact Name: Amber McDonough, PE
Address: Siemens Industry, Inc.
500 Ala Moana Blvd, Suite 7-429
Honolulu, HI 96813

Phone: (808) 214-0902
Cell: (907) 227-3734
Fax: (907) 563-6139
E-mail: amber.mcdonough@siemens.com

Secondary Contact Name: Jay Casey
Cell: (808) 214-0902
E-mail: jay.casey@siemens.com

Payment Address: Siemens Industry, Inc
PO Box 2134
Carol Stream, IL 60132-2134

Trane U.S. Inc.



Contact Name: Rob Wax
Address: 2969 Mapunapuna Place, Suite 101
Honolulu, HI, 96819

Phone: (808) 838-5649
Cell: (480) 286-6974
Fax: (808) 845-2168
E-mail: Rob.Wax@trane.com

Payment Address: Trane U.S. Inc.
PO Box 98167
Chicago, IL 60693