

A COMPARATIVE METHODOLOGY FOR EVALUATING AND SELECTING QUALIFIED ENERGY PERFORMANCE CONTRACTING COMPANIES

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INTRODUCTION/BACKGROUND

This presentation summarizes the evaluation methodology used by the Illinois Department of Energy and Natural Resources (ENR) in the Energy Performance Contracting Program to select the best qualified energy service companies (ESCOs) using a competitive, non-price-based procurement procedure. The process provides a way to quantify qualitative information and satisfies the need for a formal record documenting the competitive process. This evaluation process has been successfully employed in nine public sector procurement projects. Client satisfaction with this method is very high.

Through the use of performance contracts, ESCOs provide a wide range of services including site analysis, project design and engineering services, equipment selection, sources of project financing and long term monitoring and maintenance services. Performance contracts are typically 5-10 year contracts and contain a guarantee of the energy savings to be achieved by the installed equipment. On-going annual service fees to the ESCO are also usually paid from measured energy savings.

The review of ESCO qualifications focuses on a rigorous evaluation of written submissions, client references, and detailed oral interviews. This process is designed to meet the challenge of evaluating a number of ESCOs possessing different qualifications, and offering various services, equipment, savings guarantees and a myriad of other "qualitative" factors key to the needs of the client and long term success of the project.

PROCESS OVERVIEW

An evaluation team is assembled by the building owner. Members of the team typically include

administrators, operations and maintenance personnel, technical and legal advisors and ENR program staff. The evaluation team is instructed to comparatively evaluate each ESCO in accordance with four major categories:

1. Technical Capabilities (Technical)
2. Project Management Expertise (Management)
3. Financial Stability/Ability to Arrange Financing (Financial)
4. Past Project Experience (Experience)

Each of the evaluation criteria under these categories is weighted to reflect those aspects of the project that are "Super Critical", "Critical", and "Peripheral" to the needs of the client and important to the overall success of an energy performance contract. In addition, each of the criterion is given the following attributes to be used in ranking the information presented: Superior, Very Acceptable, Acceptable, Not Acceptable and Unable to Rank.

The evaluation data is tabulated by a computerized spreadsheet that contains the point values applied to each criterion. The assignment of point values is designed to reflect a distinct point spread between each of the weighted evaluation rankings (e.g., a "Super Critical" Superior ranking may equal 40 points while a "Critical" Superior may be valued at 20 points). The point values used in the ranking process are not identified on the evaluation form. This lack of visible scoring was designed to prevent the manipulation of point totals to favor any single ESCO. The tabulated data is then generated in graphic form and summarized by major category for each phase of the process. Points are accumulated through each successive phase, and with the

consensus of the evaluation team, the highest scoring ESCO is recommended to proceed with the project.

THE METHODOLOGY

Phase I: Written Submissions

The first phase of the evaluation is a review of the written qualifications submitted by competing ESCOs in response to a detailed Request for Qualifications (RFQ). The written submissions provide the basic information that will be reviewed and further investigated throughout the evaluation and selection process. The written responses to the RFQ contain pertinent information about the ESCOs's technical capabilities and experience, financial stability, performance on past projects, management expertise, ability to provide or arrange financing for the project and their ability to provide a range of services.

Since such a volume and variety of information is presented by the competing ESCOs, the task of evaluating the written submissions can be unwieldy. In order to assist the evaluators in their review, each criterion on the evaluation form is indexed to identify where the relevant information is located in the submission. This assists the evaluator in making comparative rankings based upon the quality of information provided.

Phase II: Client References

While the written submissions are being reviewed, the client references provided by the ESCOs are rigorously investigated. The investigation is conducted by telephone. The evaluators ask each reference the same set of prepared interview questions which correspond sequentially to the evaluation criteria. The reference is asked to specifically rank the firm in accordance with the rankings indicated on the evaluation form. This approach alleviates the potential for any subjective interpretation by the evaluator of the responses offered by the client reference.

This phase of the evaluation process is critical in the review of ESCO qualifications. Client references provide the evaluator with specific information regarding important aspects of the firm's performance and client satisfaction.

Phase III: Oral Interviews

The results of Phase I and II are compiled and from that data the three highest ranked ESCOs are invited to participate in detailed oral interviews. This constitutes the final phase of the evaluation process. Oral interviews typically range from 2-4 hours in length. The interviewing process is structured to allow a 30 minute presentation by the ESCO with the remaining time left for direct questioning by the evaluators. Prior to the interview, the ESCOs are given a general list of topics that will be discussed. The interview session is divided into two segments, the first is the ESCO's "Approach to Project" and the second focuses on their "Site Specific" recommendations.

Immediately following each interview the evaluators rank the ESCO's presentation. At the conclusion of all interviews the evaluators are given the opportunity to re-rank the firms and discuss their impressions with the team. The evaluation data is then tabulated and the team is provided with a summary of the results from the oral interview. This data is added to the accumulated scores from the previous two phases and provides a total process ranking for each of the firms. At this point, the evaluation team recommends the highest ranking ESCO to proceed with the project.

CONCLUSION

This methodology has proven successful in nine competitive public sector procurements including six local governments, one hospital, one research institute, and one community based service organization. These procurements represent over \$3.5 million in energy efficiency investments.

This evaluation process accommodates the need to document a competitive process while emphasizing the qualitative aspects of the services rather than price. Since ESCOs offer different services, types of equipment, and guarantees of savings over a long term, the conventional low-bid approach to project evaluation is inappropriate. This process has widespread potential in other market sectors, especially the utility industry as they plan the implementation of Demand Side Management and Bidding programs and Integrated Resource Planning.