# Notes from Energy Industry Days

U.S. Department of Energy (DOE) Federal Energy Management Program (FEMP)
February 24–25, 2015; Washington, D.C. and Fairfax, Virginia

*Prepared by Alicia Moulton, BCS, Incorporated*

*Slides from speaker presentations will be made available for Energy Industry Days attendees.*

## John Hale III, Director, Office of Small and Disadvantaged Business Utilization, DOE (DC)

- The Office of Small and Disadvantaged Business Utilization (OSDBU) is working with FEMP to meet goals for reducing the impacts of climate change while providing more opportunities to small businesses.
- 2/3 of all net new jobs come from small business; it is good for the environment and good for the country to work with small businesses in the energy sector.
- President Obama's 2011 and 2013 memoranda included more than $4 billion of performance-based contracts in federal buildings, intended to reduce energy consumption of the federal government.

## Anna Urman, Director, Procurement Technical Assistance Program (Fairfax)

- The Mason Enterprise Center (location of the Fairfax, Virginia, event) provides resources for the business community and focuses entirely on business (rather than the George Mason student community); it is a business incubator; other Mason enterprise centers are in Springville and Leesburg, Virginia.
- The mission of the Virginia Procurement Technical Assistance Program (PTAP) is to provide assistance to government contractors; they hold regularly scheduled classes and are thrilled to be doing more with federal agencies. This is their first event of 2015.

## Luke Bassett, Office of Energy Policy and Systems Analysis Advisor for Climate Change (DC)

- The U.S. Climate Action Plan and Opportunities for Energy Performance can help the United States to reach its carbon footprint reduction goals.
- The emissions that drive the change—and therefore, the solutions to the problem—are largely in the energy arena.
- The federal government is the single largest energy consumer, which means it has a clear role to lead by example.
    - Although its energy use accounts for only 1% of total energy use, there is still a responsibility for us to decrease greenhouse gas (GHG) emissions.
- Properly designed, our emission reduction strategies can create multiple economic and social benefits—from cleaner air to energy security.
- President Obama's goals are to (1) reduce emissions to 26–28% below 2005 levels by 2025 and (2) double energy production by 2030.
    - A joint announcement with China has strengthened the U.S. federal government's collaborative work with DOE counterparts in China.
    - It has also increased China's ambition, moving toward climate talks in Paris in December 2015.
- There is an international race to increase production of photovoltaic cells.

- DOE has been working with the SunShot Initiative to make solar power more cost competitive.
- The single most important new policy is the Environmental Protection Agency's Clean Power Plan, which is set to be finalized this summer.
    - DOE's major role is in the appliance efficiency standards program.
- Cost decline curves and growth for solar and wind show the competitive and collaborative nature of the clean energy market and growing demand. This has been a DOE success story.

## Timothy D. Unruh—FEMP Director (DC and Fairfax)

*Dr. Unruh oversees implementation of policies for energy efficiency in federal government operations, leads the interagency task force.*

- **Performance-based contracting** and how it is different: A private company makes an investment in a federal facility, which causes the facility's operational costs to go down, and creates overall savings (although it may take 15 years+ to get a payback on investment)
    - Usually involves replacing lower-quality equipment that may need to be replaced anyway
    - State and local governments are also involved (including Virginia).
- FEMP's role is to provide the catalyst to help federal government agencies meet their energy efficiency goals; FEMP works with federal agencies to develop technologies, tools, and knowledge such as project financing, technical assistance and guidance; and planning, reporting, and evaluating.
- FEMP works with agencies on their building management (for example, Department of Veteran Affairs manages hospitals and other medical facilities); FEMP manages no buildings itself
- Everything must be life-cycle cost effective—it must pay for itself over the course of operation.
- FEMP's process:
    - First, assess—find out what the federal agencies actually need (sometimes the government agency is doing this by itself); may include providing contractor support
    - After making installations, evaluate that the new technology works.
- Training is important—understand the goals the federal government is trying to meet, and that will help small businesses/contractors to better relate to federal customers
- The U.S federal government consumes roughly 1 quadrillion Btu/year, operates more than 350,000+ facilities, and spent about $6.8 billion in fiscal year 2013 of energy costs for facilities.
- The federal government operates more than 350,000+ facilities comprising roughly 2.7 billion square feet.
- Jet fuel is the largest part of the U.S. federal government's energy use; however, performance-based contracting only focuses on buildings.
- Performance-based contracting can only be done with buildings that are owned by the federal government (vs. those rented) because of the time of investment in making upgrades.
- Some of the primary goals for the federal government:
    - Reduce energy use $30% in FY 2013 (currently behind target)
    - Renewable energy use: 7.5% of total electricity to be renewable (currently ahead of target)
    - Reduce water consumption
    - Reduce government-wide scope 1 and 2 greenhouse gas emissions (currently on track; at 17.2% of the 20% reduced greenhouse gas emissions required by 2020)

        - Energy use and renewable energy use (management of #1 and #2) drive this.
- Another goal is for at least 15% of buildings operated to meet sustainability guiding principles (similar to LEED building certification).
- Goal to reduce overall fuel use and increase vehicle alternative fuel use.
- **Presidential Performance Contracting Challenge (PPCC)**: President Obama announced that federal agencies further expand their use of performance-based contracts through 2016 to upgrade the energy efficiency of federal buildings at no cost to taxpayers.
    - December 2016 is the end of the required time period to upgrade energy efficiency of federal buildings.
- The government is aggressive in goals to increase energy efficiency, and it has made pretty significant progress in federal buildings.
- Energy savings performance contracts are outside of direct appropriations by Congress; typically, about half of energy performance contracting have been through congressional appropriations and half outside of it.
- Much of Recovery Act funds (2010) went toward energy-efficient buildings.
- General opportunities for small businesses:
    - Small business set aside
    - Energy auditing
    - Technical consultation.
- FEMP-specific opportunities:
    - **ENABLE** (not an acronym)—for small buildings, allows profits to be made in small contracting; a lot of overhead in these contracts
    - Energy-Efficient Product Procurement.
- In replacing equipment, FEMP uses equipment from the top 25% most efficient products.
- FEMP offers training: big training event will be August 11–13 in Phoenix, Arizona, at which there will have face-to-face training and national laboratory representatives.
- FEMP maintains a compliance tracking system with listing of all audit results for federal buildings; however, only half of the facilities are public because of national security concerns.

**Q:** How often do you reach out through GSA schedules?

- FEMP doesn't do that; they don't have the authority to. Visit the Department of Energy Acquisition Forecast website on a monthly basis for information or contact Lani Macrae.

## Q&A Panel Company Presentations

*Representatives from the ESCOs presented introductions to their companies.*

### *Joe Price—Ameresco*

- Ameresco has worked with energy savings performance contracts (ESPCs) for more than 20 years—ESPCs are its core business; the company rebranded in 2000 as Ameresco.
- Because Ameresco is not a publically traded independent company: (1) it is not tied to a manufacturer or brand-based product and (2) not controlled by a parent company that may have conflicting interests (not by a utilities company or brand, etc.).
- Full service provider—takes the projects from beginning to end; will do engineering with in-house staff but does not do the installation. Most of subcontracting opportunities are on the installation side.

### *Ron Griffin—Subsidiary of Siemens Corporation*

- Siemens is well known for a wide variety of products, including MRIs and medical equipment. Siemens Government Technologies is heavily focused on energy sector and bringing efficiencies to U.S. government; one third of all energy generated in the United States flows through Siemens products.
- Siemens currently has four specific projects with subcontracting opportunities for small businesses: Pantex Renewable, White Sands Missile, National Parks Service, Coast Guard Training Center.
- Small business contracting opportunities include domestic plumbing, irrigation, foundation retrofits, solar design, and construction.
- The relationship is two way, and Siemens may sometimes be a subcontractor.
- Siemens would like to expand to more federal markets where they are less represented
- Contact Cameron Chicoine—Cameron.chicoine@siemensgovt.com, and visit siemens.com/answers
- **Q1:** Does Siemens compete the work among its subcontractors?
    - Yes. Siemens will have a statement of work and issue it out through their system. All the ESCOs are responsible for procurement integrity.

### *Jeff Niesz—Pepco Energy*

- Representing the ESCO and not the local utilities company; since 1995, Pepco Energy has offered solutions to the government; acts as the implementer of these projects, which are primarily design, bill, and performance-based contracts.
- Pepco works frequently with the Army Corps of Engineers and with five local military bases (Belvoir, McNare, Meyer-Henderson, Andrews Air Force Base); has also done work for the State Department and the Bureau of Engraving and Printing.
- Small minority business contracting is paramount to their work.
- They have identified a list of 25 available projects for subcontractors; ask them about it.
- Pepco self performs 35%–45% of the work.
- Pepco Energy does projects throughout the United States, travels to project locations.

- Values the following subcontract services: energy auditing modeling, equipment material supplies, contract installation (especially, mechanical installations), staff that can operate HPAC equipment—there are great opportunities for small businesses throughout this program.
- Don't be afraid to ask questions and push the envelope. Pepco is as eager as small businesses are to do business and with the government, and they need good partners.
- **Q1:** As the holder of the contract, does Pepco do onsite staff and management of these sites? Or do you use the small business to manage and construct the IDIQs (indefinite delivery, indefinite quantity contracts) as a general contractor and complete the task order?
    - Pepco will always have a presence at the site, but certainly, the opportunity exists for managing a part of the small business if the subcontractor is qualified to do so. In both cases, the subcontractor will work under the senior project manager of the onsite team.
- **Q2:** How is it financed and what kind of profits is DOE allowing?
    - The ongoing costs to develop, design, and build, plus the overhead cannot exceed $1 million. The government allocates that amount for expenses with the expectation of payback through cost savings. Sometimes, they go to third party financial market lenders. They always try to incorporate renewables into their performance contracts.

## ESCO Panel Q&A

*Questions from Tuesday and Wednesday and collective responses from the representatives from Ameresco, Siemens, and Pepco Energy*

**Q1:** Describe the most successful small business subcontractors that you work with in terms of characteristics. How does a small business become your "go-to" for the services that they may provide?

- These are performance-based contracts, so we are looking for performance contractors.
- Looking for loyalty.
- Some performance periods can be 20+ years; they are looking for subcontractors who can build longstanding relationships and move with the ESCO from contract to contract.
- Must be financially stable and able to work on a long-term timetable; 90% of time, the ESCO will need to tell the subcontractor to wait because the federal government has not yet approved the task order; it is not uncommon to wait for 24–30 months before beginning a contract.
- Bring true value to the table—product, capability, past performance, etc.
- The best value, life-cycle cost basis, long-term performance and a long-term collaborative partnership (can be up to 25 years).
- Become pre-qualified as subcontractors; even if their work doesn't fit a NAICS code exactly, they should not assume they are not qualified to do work.

**Q2:** What kind of protégé (mentorship) relationships do you have or that you would consider?

- Pepco Energy (Eric Mathieson): Does not currently have protégé; competitively bids all their projects.
- Siemens (Rob Griffins): Has a protégé program; current protégé is MCB Lighting and Electrical Inc.; all are encouraged to prequalify for the program.

- Ameresco (Joey Price): Has a protégé program; works especially through Army contracts and all defense agencies; Ameresco needs every type of self-performing small business firm and encourages small businesses to contact them to work on a mentoring arrangement.

**Q3:** As someone who has not had experience with federal contracting, how would I start? What threshold do you require for subcontractors in terms of performance?

- Treat every case on a case-by-case basis; federal experience not required, and values and experience trumps specific experience in the federal sector.
- No threshold; looking for the best contractor to do the job.

**Q4:** I feel like I do not win (am on the bottom rung) as a subcontractor. Who can I contact in your organization so I can be a partner?

- Contact someone at Energy Industry Day and/or register in their systems; Ameresco, Siemens, and Pepco Energy all said they would be happy to help.

**Q5:** The CEO of my company recently won a 30-year contact. This is a huge win for our new-start organization. What is your advice?

- Join an ESCO mailing list.
- Contact an ESCO to have a conversation how to properly execute a 30-year contract; the ESCO can provide coaching and help small businesses become viable businesses partners.
- If the contract is unsuccessful, write a debrief of the situation and ask for feedback; this will help the small business to become a better partner for the next contract.

**Q6:** What security clearances are required when working as a federal subcontractor?

- Don't confuse badging with a security clearance.
- There are different requirements for entering the DOE building vs. on site.
- If there is a cost for the badge, it should be covered by the energy services company.
- If there is a security check, in most cases, it's a background check/police records check.

**Q7:** What do you do when there needs to be a chance order to the contract, since you are paying ahead?

- Do a preliminary assessment prior to starting the contract. It is regimented.
- There is some contingency in the contract to cover loose ends, although there are still some things you cannot cover for.
- It is very challenging to do a change request.
- This contract work is not for the faint of heart. It can take 24–32 months to get on a contract, and there is work instability.
- Give contractors a close-enough look at all the items to get an idea of what they will require; do their due diligence.