



Review of Proposal — Pricing

Determining Price Reasonableness

Cost Elements of ESPCs

Project Development	<ul style="list-style-type: none"> • Energy surveys, proposals
ECMs	<ul style="list-style-type: none"> • Direct costs for design, installation/construction
Indirect Costs/Profit	<ul style="list-style-type: none"> • such as overhead and profit
Financing	<ul style="list-style-type: none"> • Interest, financing procurement costs
Performance-Period Services	<ul style="list-style-type: none"> • O&M, R&R, M&V

Pricing — Overview

- Agency is responsible for determining price reasonableness
- Pricing is summarized in financial schedules
 - TO-2, Implementation Price by Energy Conservation Measure, and
 - TO-3, Post-Acceptance Performance-Period Cash Flow
- ESCO should provide information supporting ECM and project pricing (as specified by agency in TO RFP requirements)

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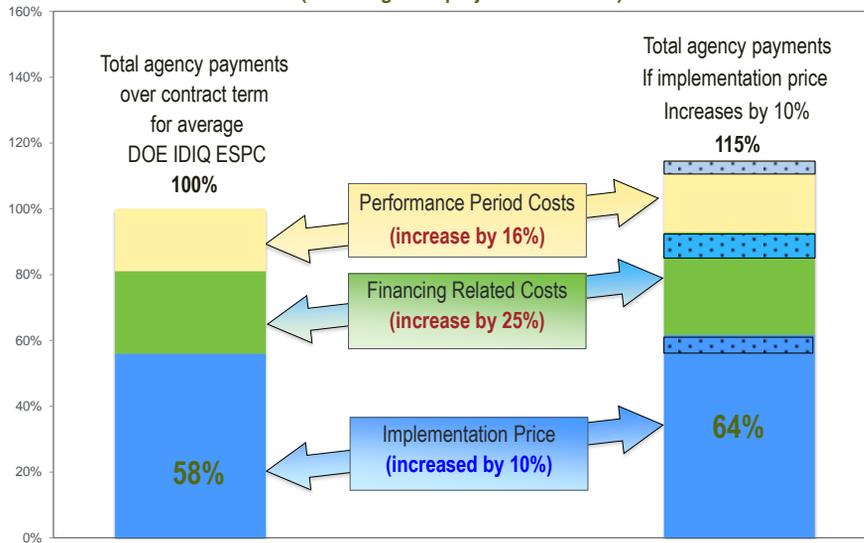
Contracting Officers....

- You must be as careful in your analyses of purchases under the ESPC as any other.
- Paying fair and reasonable prices is critical in ESPCs where procurement is financed over time.
- Next slide demonstrates the result of careful evaluation of your project costs.

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Why Verifying ECM Prices is Important

Increasing implementation price by 10% raises total payments over term by ~15% (assuming a 5% project interest rate)



Regulatory Perspective

on Price Reasonableness in ESPCs

- ESPC-authorizing legislation stresses life-cycle cost-effectiveness, but *does not exempt agencies from responsibility for assuring price reasonableness*
- Regulation (DOE Rule, 10 CFR 436):
 - Waives requirement for certified cost data
 - States that offerors must still provide information requested by agencies
 - Does not specify how agencies are to assure price reasonableness.
 - Most agencies use FAR 15.404 techniques.

Federal Acquisition Regulations (FAR) Apply to Federal ESPCs:

- Subpart 15.4, “Contract Pricing”
- In case of conflicts, EPCAct or the DOE Final Rule take precedence
- There are no conflicts between FAR Subpart 15.4 and ESPC regulations regarding price reasonableness determination
- (More on Far guidance later)

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Supporting Information on Pricing

Best Practices — Verify before award:

- *Agency obtained all pricing data needed to determine a fair and reasonable price to the government.*
- *Agency has reviewed ESCO analysis of subcontractor pricing including promotion of competition (low price or best value).*
- **Agency specifies requirements in TO-RFP (and additional requests if needed) for**
 - supporting information and
 - level of detail

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Review Strategy – Best Practices

- *Verify before award:*
ECM pricing is reasonable when compared to previous awards and current pricing for similar equipment.
- Use FEMP Price Benchmarking data
- Consult FEMP's guidance
 - FEMP ESPC home page → Resources (under Proposal Review: Pricing) → *Determining Price Reasonableness in Federal ESPCs*
 - Includes discussion of FAR regulations, compliance, and review process

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Overall Review Strategy

- Start with the TO schedules
- Look for reasonableness, consistency, and back-up documentation on
 - ECM implementation price
 - Performance-period expenses
- Make sure total price is complete and reflects appropriate implementation costs
- Make sure performance-period services are consistent with assignments per Risk, Responsibility, and Performance Matrix

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ECM Pricing Review Strategy — Step 1

- Agency assesses quality and completeness of data provided by ESCO
 - with PF and FEMP ESPC team assistance

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ECM Pricing Review Strategy — Step 2 —

FEMP Web Tools

- For cost-effective review, first use ECM Price Benchmarks (ORNL-FEMP database on prices of lighting, chillers, VFDs, GSHPs)
 - If within acceptable range, move on
 - If high/low, then flag for discussion with ESCO
- Next use ECM Locator to identify similar ECMs for comparison
 - If within acceptable range, move on
 - If high/low, then flag for discussion with ESCO

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How to Access ECM Benchmarks and Locator

- Go to: hyperion.ornl.gov/escp
- Request a sign-on
- Tutorials are available for each tool

Benchmarks/locator make quick work of some ECMs — freeing up time for team to analyze prices of ECMs having no price comparison data.

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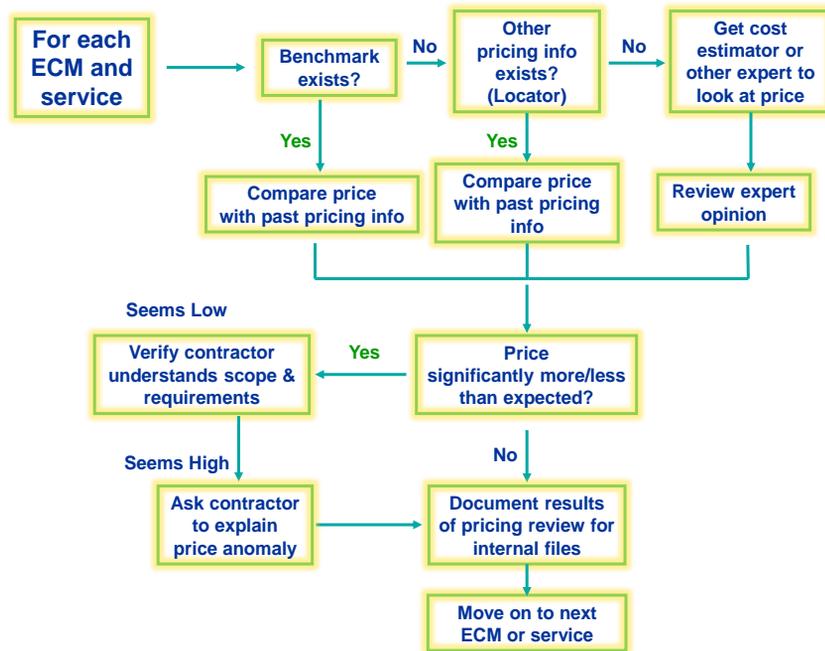


ECM Pricing Review Strategy — Step 3

- If no benchmarking or locator data exist, the team must independently assess the ECM price for reasonableness

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Use All Your Resources:

- Project facilitator
- Site- and agency-level experts
- Site- and agency-level data
- National Laboratory experts on specific technologies
- Supporting information supplied by the ESCO (at whatever level agency specifies)
- Cost information from ESCO's subcontracts
- *Determining Price Reasonableness in Federal ESPCs* – a great walk-through of regulations and practical guidance.

Review — True or False?

- Q1: The ESPC legislation stresses life-cycle cost-effectiveness.
- A: True
- Q2: The DOE Rule (10 CFR 436) waives requirements for submission of certified cost data for ESPCs.
- A: True
- Q3: The agency can specify whatever requirements for ESCO submission of pricing information it deems necessary in the TO-RFP.
- A: True
- Q4: FAR requirements on contract pricing do not apply to ESPCs.
- A: False
- Q5: Price reasonableness determination is an agency responsibility.
- A: True

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Exercise – TO Schedules

- See sample TO financial schedules in handbook (in module on reviewing TO schedules).
- Find the answers in the schedules to fill in the worksheet handout.

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Next ► Break

**After Break ►
Phase 4**

**Construction
Through Project
Acceptance**