

MEMORANDUM

To: Montclair Board of Education

From: ESCO Review Committee

Date: June 28, 2019

RE: Report on Summary and Analysis of ESCO Proposals and Recommendation

The Montclair Board of Education received three responses to its request for proposals for ESCO services. The responses were reviewed by a Review Committee consisting of Emidio D'Andrea, Business Administrator/Board Secretary, John Eschmann, Director of Facilities, Greg Somjen and Bill Bannister of Parette Somjen Architects, Board Architect, and Andrea Kahn, of McManimon, Scotland & Baumann, LLC, Special Counsel. Proposals were received from Energy Systems Group ("ESG"), Honeywell International, Inc. ("Honeywell") and DCO, Inc. ("DCO"). All proposals appeared to be complete, and the Committee decided to interview the applicants so they could clarify and further explain their proposals and answer questions that the Review Committee might have. The interviews were held May 23, 2019.

Each applicant addressed energy conservation measures recommended in the energy audit. The Review Committee believes each company can meet its obligations for the implementation of an energy savings program and any guarantees. Each applicant presented sample plans meeting BPU requirements and alternative plans with varied assumptions. For all firms, the Committee understood that the initial plan was limited until a comprehensive energy audit would be undertaken and assumed the final plan will vary. All applicants offered educational and community leadership programs and recognized the importance of carbon reduction and the significance of the social impact as well as cost savings resulting from reduction of energy use.

Honeywell is the largest of the three companies with national and international affiliations and a local presence and with strong financial ability, significant resources and experienced and knowledgeable representatives. DCO, Inc. with its Jingoli construction affiliation, is the second largest and also has a strong financial ability, significant resources and experienced and knowledgeable representatives. ESG is a smaller company but has been gained a local presence with experienced and knowledgeable representatives that have had experience from a prior firm. Each provided a long history of experience with performance contracting in general and energy savings improvement programs in particular. While Honeywell appears to have completed the most projects, all have successfully completed a number of energy savings improvement programs in New Jersey under the ESIP law. While, as noted all companies have experienced and qualified representatives and personnel, the Honeywell team demonstrated the most longevity with a single company. That stability would provide comfort not just for implementation but responsiveness in years following implementation. It was also noted that DCO identified \$136,447,035 in uncompleted projects, ESG stated they had \$267,080,026 uncompleted projects and Honeywell, the largest company of the three, identified not exceeding \$68,000,000 uncompleted projects. Some of these uncompleted projects could be in the punch list stage or it could mean that

Honeywell had the most ability to turn its attention to the needs of this school district. Honeywell provided a proposed schedule that seemed most realistic to the Review Committee. DCO, with the most amount of uncompleted projects, provided a proposed schedule with the shortest construction period. ESG provided a schedule for construction that seemed to the Review Committee unusually long based on similar sized and type of projects.

The firms emphasized that their respective teams would work with the Board of Education and its team to develop an energy savings plan that would accommodate the Board's priorities and the needs of the School District while maintaining cash positive savings. The firms discussed and evidenced knowledge about available rebate and incentive programs and intend to assist the Board in maximizing the amount of revenues that could be generated by those programs. ESG identified and counted towards savings approximately \$2,500,000 in incentives and rebates, while Honeywell and ESG identified and counted respectively approximately \$553,000 and \$412,000 in such incentives and rebates. The Review Committee had concerns as to how realistic or conservative the DCO assumption is.

DCO provided the initial plan with the most amount of savings, but these savings relied heavily on the incentive/rebate assumptions. Honeywell had the next largest amount of savings but their operational savings are higher. Of course, the plans submitted are initial only and an actual plan would be based upon a comprehensive audit and a partnership with the Board to meet the districts' goals.

All the companies presented initial sample plans based on the energy audits and their own observations on walk-throughs. All included solar power purchase agreements. The firms explained their approaches to plan development and implementation, appreciation of the educational opportunities and importance of energy reduction to help meet environmental goals and carbon reduction, a national and international goal. They explained that their proposals presented options, but that the actual plan would be developed with the Board and its representatives to meet the goals and objectives of the Board and that they could be flexible in helping develop innovative solutions to meet the District's needs. All firms gave assurances that they would use open protocols and be vendor neutral in types of equipment and controls to be used. All firms committed to training district personnel in the use and maintenance of the energy conservation measures that are installed.

Once selected, the ESCO will help develop the Energy Savings Plan at no cost to the School District. There will be no break fee if the Board chooses not to move forward after development of the Energy Savings Plan. The Board would be obligated for payment only once it approves the Energy Savings Plan and final cost contract. All rebates and incentives will be passed through to the Board. Each firm offers to provide a not to exceed guaranteed fixed price contract, but if bids for subcontractors come in lower, each will pass the savings on to the Board.

DCO proposed a fee of 17.30% of hard construction costs and first year measurement and verification fees to support the guaranty of \$.21 or \$18,791 based on their sample \$8,948,326 hard construction costs for the sample 15 year project using the 5% per annum interest rate required by BPU for analysis purposes only. Honeywell proposed a fee of 19.8% of hard construction costs projected to be \$8,891,513 in their sample 15 year 5% sample plan and the measurement and

verification fees to support the guaranty of a flat \$65,000. ESG proposed a fee of 21.75% of hard construction costs and the measurement and verification fees to support the guaranty of \$.75 or \$51,211 based on \$6,828,084 hard construction costs projected in their sample plan. The Board may or may not elect to use the guaranty for one or more years. Only Honeywell included in its costs and cashflow an assumed amount for financing.

The Committee ranked the applicants in accordance with the criteria described in the RFP. The ranking matrix is attached.

Based on the scoring described in the attached matrix and the analysis described above, the Committee recommends that the Board of Education work with Honeywell for the development and implementation of its Energy Savings Improvement Program. If the Board approves an energy savings plan and decides to proceed with the implementation of the energy savings program, the proposed contract with Honeywell will contain the terms and conditions set forth in the Request for the Proposals and the applicant's response as well as its obligation to provide agreed upon energy conservation measures included in the approved Energy Savings Plan. The Board will be able to elect to receive the proposed energy savings guaranty offered in the proposal as required by law. This contract will provide a guaranteed fixed price even if subcontracted work bids come in higher than anticipated. If bids come in lower, the Board can enjoy greater energy savings or use the costs to leverage additional work included in the Plan as it may agree to with Honeywell.

Montclair Public Schools Board of Education
 ESIP Project

Prepared by Parete Somjen Architects - June 3, 2019

COMPANY	COMPANY OVERVIEW & QUALIFICATIONS (20%)	APPROACH TO ESP (25%)	ABILITY TO IMPLEMENT (15%)	PROJECT COMPREHENSIBILITY & ENERGY SAVINGS PROJECTIONS (25%)	FEE (15%)	TOTAL
DCO Energy	18	20	12	20	15	85
Honeywell	19	23	14	24	14	94
Energy Systems Group	18	21	10	22	13	84