

SUPPLEMENTAL DIRECTIVE

NNSA SD 436.1

Approved: 01-14-25
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ENERGY PERFORMANCE CONTRACTS



NATIONAL NUCLEAR SECURITY ADMINISTRATION Office of Environment, Safety, and Health

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ENERGY PERFORMANCE CONTRACTS

1. PURPOSE. To establish the requirements, processes, and procedures for developing and implementing Energy Performance Contracts within the National Nuclear Security Administration (NNSA). Energy Performance Contracts include Energy Savings Performance Contracts (ESPCs), Utility Energy Service Contracts, Power Purchase Agreements, and ESPC ENABLE. This Supplemental Directive (SD) identifies specific activities and associated organizational responsibilities for six key Energy Performance Contract phases: pre-planning, project planning, initial project development, negotiation and award, implementation/construction and acceptance, and performance/closeout. The SD, when used in conjunction with Federal Energy Management Program (FEMP) procedures and methods, will help the reader gain a full understanding of the Energy Performance Contract process.
2. AUTHORITY. Department of Energy (DOE) Order (O) 436.1A, *Departmental Sustainability*, establishes a department-wide integrated performance-based approach to implement sustainability in DOE operations, including implementation of performance contracts.
3. CANCELLATIONS.
 - a. NNSA Business Operating Procedure 436.1, *Supplemental Procedures for Alternative Financed Energy Savings Projects*, dated 09-30-2015.
 - b. NNSA Advance Change Directive 436.1, *Updating Energy Performance Contract Requirements in the National Nuclear Security Administration*, dated 09-16-2022.
4. APPLICABILITY.
 - a. Federal. This SD applies to all NNSA Federal personnel involved in activities that affect Energy Performance Contracts.
 - b. Contractor. This SD does not apply to contractors.
 - c. Equivalencies/Exemptions.
 - (1) Equivalency. In accordance with the responsibilities and authorities assigned by Executive Order 12344, *Naval Nuclear Propulsion Program*, codified at 50 United States Code (U.S.C.) sections 2406 and 2511, and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate.
 - (2) Exemption. None.

5. BACKGROUND.

- a. This SD is an important tool to help meet identified energy efficiency and management goals while deploying life-cycle cost-effective energy efficiency, clean energy technology, and water conservation measures.
- b. Energy Performance Contract projects make a substantial contribution toward achieving the sustainability goals set forth in statutes and executive orders and improve NNSA site infrastructure and resilience. Energy Conservation Measure (ECM).¹ selection, execution, and persistence of savings are of key importance to NNSA in achieving its sustainability goals.
- c. The primary NNSA organizational elements involved in the development of performance contracting projects are the Office of Environment, Safety, and Health (NA-ESH), the Office of Partnership and Acquisition Services (NA-PAS), Field Offices (FOs), and Contracting Officer's Representatives (CORs).
- d. The process to plan for, develop, implement, and close-out Energy Performance Contract projects includes the six phases shown in Appendix A: Process Flow Diagram for Energy Performance Contracts.

6. REQUIREMENTS.

- a. Opportunities to implement, where appropriate, Energy Performance Contracts.² must be identified to improve efficiency and resilience of federal facilities, deploy clean and innovative technologies, and reduce greenhouse gas emissions from building operations. NNSA sites must conduct comprehensive energy and water evaluations every four years. These evaluations identify operations that regularly consume energy and water resources, identify opportunities to eliminate or reduce consumption, and analyze the life-cycle cost-effectiveness of implementing those opportunities. After evaluations are complete, sites must consider implementing identified life-cycle cost-effective energy and water saving measures as either stand-alone or bundled projects in Energy Performance Contracts.

¹ DOE Guidance on the Statutory Definition of Energy/Water Conservation Measures (ECMs), and Determining Life-Cycle Cost-Effectiveness for ESPCs with Multiple or Single ECMs, August 2013, <https://www.energy.gov/femp/articles/doe-guidance-statutory-definition-energywater-conservation-measures-ecms-and>

² Section 1002 of the Energy Act of 2020 (Public Law 116-133, division Z) and DOE O 436.1A states "Use performance contracts such as ESPCs and UESCs to address at least 50 percent of life cycle cost-effective energy-or water saving measures identified in evaluations of covered facilities."

01-14-25

- b. Best practices and lessons learned must be considered by NNSA Field Elements during the implementation of Energy Performance Contracts process to help award high-quality, high-value Task Orders (TO).
- c. Energy Performance Contracting projects must be systematically planned and actively managed throughout the life of the contract to ensure that guaranteed savings are being delivered, and that equipment is in place, operational, and is being maintained and operated according to the terms of the contract. This includes ensuring that the project has a contracting officer assigned, witnessing of the Energy Services Company's (ESCO) annual measurement and verification (M&V) activities by the COR, and review of annual M&V reports.
- d. As part of portfolio planning and, to the extent practicable, available appropriated funds must be applied to Energy Performance Contracts to increase project benefits, enable deployment of innovative technologies, and meet the goals and targets established under Executive Order 14057, *Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability*.
- e. An ESPC Integrated Project Team (IPT) must be established to ensure a streamlined acquisition process consistent with mission, quality, and regulatory requirements. The ESPC IPT has a specific interest in the success of the procurement activities to ensure compliance with sound business practices, proper planning, understanding of the performance-based requirements, and consideration of advice from subject matter experts.
- f. Energy Performance Contracts (including consideration of current utility baseline and escalation rates) must be reviewed by NNSA Headquarters and Field Elements prior to contract award and the results of the review must be documented.
- g. Coordination and guidance related to the application of Energy Performance Contract concepts for infrastructure improvements and sustainability goals will be provided by NA-ESH.

7. RESPONSIBILITIES.

NOTE: Please see Appendix A for a process flow diagram and discussion.

- a. Associate Administrator for Environment, Safety, and Health.
 - (1) Participates with the NNSA Field Elements during the pre-planning phase activities for performance contracting projects. Provides the Field Office with the latest NNSA Energy Performance Contract Lessons Learned.
 - (2) Participates with the NNSA Field Element during the project planning phase activities for performance contracting projects.

- (a) Conducts an initial meeting to discuss the planned project scope and potential costs with the NNSA Field Element.
 - (b) Works with the NNSA Field Element after the proposed Energy Performance Contract work scope is drafted to define the initial cost estimate.
- (3) Participates with the NNSA Field Element during the initial project development phase:
 - (a) Reviews the utility rates for energy savings.
 - (b) Reviews and submits comments on the Preliminary Assessment (PA) to the COR.
- (4) Participates with the NNSA Field Element during the negotiation and award phase:
 - (a) Participates in IPT discussions to include ECM selection, M&V, and risk assumption. Prior to award, re-examines utility rates, proposed energy savings, and verifies that assumptions and calculations are still valid.³
 - (b) Reviews and submits comments on the Investment Grade Audit (IGA) to the COR.
 - (c) Concurs with contract award.
- (5) Participates in discussions of change proposals that may affect scope, energy savings, or TO term during implementation/constructions and acceptance phase.
- (6) Participates in the performance period through closeout phase:
 - (a) Reviews COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance.
 - (b) Participates in discussions of change proposals that may affect scope, energy savings, or TO terms.

³ Advance Change Directive (ACD) 436.1, *Updating Energy Performance Contract Requirements in the National Nuclear Security Administration*, approved September 9, 2022, Requirement 3.

- (c) Receives notification from NA-PAS when the contract is successfully closed out.

b. Associate Administrator for Partnership and Acquisition Services.

- (1) Designates the Federal Project Director, CO and/or COR, as appropriate.
- (2) Designates IPT members, following concurrence of Field Element manager, including the COR, NA-ESH, NNSA Field Element, and other subject matter experts.
- (3) Encourages IPT team members to complete ESPC training.
- (4) Initiates procurement activities to include issuing the Notice of Opportunity (NOO) after receiving written concurrence from NNSA Field Element management.
- (5) Incorporates utility baseline and escalation rates prepared by the NNSA Field Element and reviewed and concurred on by NA-ESH into the TO as the base rates.
- (6) Provides the DOE ESPC Review Board members access to all PA documents, including all financial information needed for its review and comment. Board members participate on the IPT and provide technical and other comments to the COR in accordance with the Board procedures.
- (7) Considers the comments received from the DOE ESPC Review Board members on the PA prior to issuance of the Notice of Intent to Award (NOITA). Provides a written reply to the ESPC Review Board members' comments.
- (8) Issues the NOITA after receiving written concurrence from the NNSA Field Element management.
- (9) Participates in IPT discussions to include ECM selection, M&V, and risk assumption, as appropriate.
- (10) Provides ESCO developed estimates to NA-ESH and NNSA Field Elements so they may re-examine utility rates and proposed energy savings and verify that assumptions and calculations are still valid.
- (11) Provides the DOE ESPC Review Board members access to all IGA documents, including all financial information needed for its review and comment. Board members participate on the IPT and provide technical and other comments to the COR in accordance with Board procedures.

- (12) Considers the comments received from the DOE ESPC Review Board/IPT members prior to award of the TO. Provides a written reply to the DOE ESPC Review Board members' comments.
- (13) The CO awards the TO after the Head of the NNSA Field Element and Associate Administrator of NA-ESH provides written concurrence to NA-PAS on the IGA.
- (14) Leads the discussions of change proposals that may affect scope, energy savings, or TO term.
- (15) Reviews COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance.
- (16) Participates in discussions of change proposals that may affect scope, energy savings, or TO term.
- (17) Advises NA-ESH, NNSA Field Element, and COR when the project is successfully closed out.

c. NNSA Field Element.

- (1) Consider energy performance contracting to the maximum extent practicable for energy and water projects.
- (2) Advise NA-ESH and NA-PAS when pre-planning activities start for an energy performance contract.
- (3) Provide a written request to NA-PAS to initiate project planning activities and notify NA-ESH for an energy performance contract.
- (4) Participate in planning activities.
- (5) Coordinate with NA-PAS CO on IPT members. Provide written concurrences on all IPT members to the NA-PAS CO.
- (6) Arrange FEMP ESPC training for NNSA IPT members. This training is offered on-demand and/or by live session from FEMP.
- (7) Provide written concurrence from the Field Office Manager to CO regarding the issuance of the Notice of Opportunity (NOO).
- (8) Calculate the current site unit cost of energy to be used in a proposed energy performance contract. Provide the rates and computations to NA-PAS and NA-ESH. Document how the proposed project savings could affect existing utility contracts for energy, gas, etc.

- (9) Inform the COR about the customer's scope and expectations for an energy performance contract project. The COR (or FPD, if one is assigned) speaks for the Field Office about the scope of the project.
- (10) Review and submit comments on the PA to the COR for transmittal to the CO.
- (11) Discuss PA with COR and provide written concurrence to CO to issue the NOITA.
- (12) Participate in IPT discussions especially for ECM selection, M&V, and risk assumption. Prior to the award, re-examine utility rates, ECMs, proposed energy savings, verify that assumptions and calculations are still valid.
- (13) Review and submit comments about the IGA to the COR.
- (14) Provide written concurrence from the Field Office Manager on the IGA to NA-PAS prior to CO award of the TO.
- (15) Provide coordination between the ESCO and the M&O contractor in scheduling work requirements during the energy performance contract TO work.
- (16) Participate in commissioning activities.
- (17) Review COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance.
- (18) Receive notification from NA-PAS when the contract is successfully closed out.

d. Contracting Officer's Representative (COR).

- (1) Participate in planning activities for energy performance contract projects.
- (2) Review and provide comments on utility rates for energy savings.
- (3) Receive, review, and consolidate DOE ESPC Review Board/IPT comments on the PA and submit to the CO.
- (4) Provide Field Office management with recommendation for concurrence on the issuance of the NOITA, which starts the IGA.
- (5) Participate in IPT discussions especially for ECM selection, M&V, and risk assumption.

- (6) Re-examine utility rates and proposed energy savings and verify that assumptions and calculations are still valid prior to the TO award. Document the results.
- (7) Receive, review, and consolidate DOE ESPC Review Board/IPT comments on the IGA and submit to the CO.
- (8) Provide the CO with written concurrence on the technical aspects of the IGA.
- (9) Conduct an economic analysis based on IGA documentation using the FEMP life cycle cost methodology. Provide Field Office management with recommendation on NOITA issuance.
- (10) Participate in the project commissioning activities. Provide written recommendations of the technical acceptability of the project to the CO.
- (11) Notify NA-ESH and the CO of any potential changes to the ESPC TO that may impact energy and water savings, energy and water cost savings, implementation cost, or TO term.
- (12) Participate in discussions of change proposals that may affect scope, energy savings, or TO term. Will determine if the site has sufficient resources to cover the site support cost and will provide this information to NA-PAS before a change is approved.
- (13) Conduct life-of-task-order activities along with the ESCO.
- (14) Review the annual M&V Reports and provide a summary M&V Report to NA-ESH, NA-PAS, and the Field Office along with a copy of the Report.
- (15) Notify NA-ESH and the CO of any potential changes to the ESPC TO that may impact energy and water savings, energy and water cost savings, implementation cost, or TO term.
- (16) Participate in discussions of change orders that may affect scope, energy savings, or TO term.
- (17) Receive notification from NA-PAS when the project is successfully closed out.

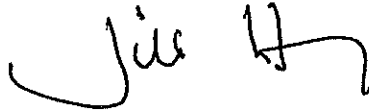
8. DEFINITIONS. See Appendix B.

9. ACRONYMS/ABBREVIATIONS. See Appendix C.

10. REFERENCES. See Appendix D.

11. CONTACT. The Office of Environment, Safety, and Health, Environment and Sustainability Division, NA-ESH-13, (202) 586-6882.

BY ORDER OF THE ADMINISTRATOR:

A handwritten signature in black ink, appearing to read "Jill Hruby", with a stylized flourish at the end.

Jill Hruby
Administrator

Appendixes:

- A. Process Flow Diagram for Energy Performance Contracts
- B. Definitions
- C. Acronyms/Abbreviations
- D. References

APPENDIX A: PROCESS FLOW DIAGRAM FOR ENERGY PERFORMANCE CONTRACTS

1. INTRODUCTION. The Process Flow Diagram for Energy Performance Contracts shows the process to plan for, develop, implement, and close-out Energy Performance Contracts projects, including the following six phases:
 1. Pre-Planning (APA-8): These activities start when the management and operating (M&O) contractor and the Field Office participate in discussions about sustainability, infrastructure, resilience, and energy and water efficiency measures and identify possible candidates for performance contracting. Pre-Planning includes activities to determine if an energy and water efficiency project should be accomplished through an energy performance contract, through a non-alternative financing mechanism, or postponed.
 2. Project Planning (APA-9): These activities start when the Field Office provides a written request to Office of Partnership and Acquisition Services (NA-PAS) to initiate project planning acquisition activities. Project Planning includes issuance of the Notice of Opportunity (NOO) and other documents to the Energy Service Contractors (ESCOs).
 3. Initial Project Development (APA-10): These activities include Preliminary Assessments (PAs) and selection of an ESCO.
 4. Negotiation and Award (APA-11): These activities include the Investment Grade Audit (IGA), coordination with the DOE ESPC Review Board, and award of the Task Order (TO).
 5. Implementation/Construction and Acceptance (APA-12): These activities start after TO award and include project change proposals, commissioning, and project acceptance.
 6. Performance/Closeout (APA-13): These activities start after the Field Office accepts the completed project and includes the acceptance of the Measurement and Verification (M&V) report and change proposals to the TO. These activities end when the contracting officer (CO) advises the Office of Environment, Safety, and Health (NA-ESH), NA-PAS, the Field Office, and the Contracting Officer's Representative (COR) that the contract is closed.
2. RESPONSIBILITIES.
 - a. Associate Administrator for Environment, Safety, and Health.
 - (1) Participates with the NNSA Field Elements during the pre-planning phase activities for performance contracting projects. Conducts an initial meeting to discuss the planned project scope and potential costs with the NNSA Field Element (C).

- (a) Works with the NNSA Field Element after the proposed Energy Performance Contract work scope is drafted to define the initial cost estimate.
- (2) Participates with the NNSA Field Element during the initial project development phase (G):
 - (a) Reviews the utility rates for energy savings (K).
 - (b) Reviews and submits comments on the Preliminary Assessment (PA) to the COR (N).
- (3) Participates with the NNSA Field Element during the negotiation and award phase:
 - (a) Participates in Integrated Project Team (IPT) discussions to include Energy Conservation Measure (ECM) selection, M&V, and risk assumption. Prior to award, re-examines utility baseline and escalation rates, and proposed energy savings and verifies and documents that assumptions and calculations are still valid. Concurs on utility rates⁴ (S).
 - (b) Reviews and submits comments on the IGA to the COR (U).
 - (c) Provides written concurrence with contract award (Z).
- (4) Participates in discussions of change proposals that may affect scope, energy savings, or TO term during implementation/constructions and acceptance phase (EE).
- (5) Participates in the performance period through closeout phase:
 - (a) Reviews COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance (GG).
 - (b) Participates in discussions of change proposals that may affect scope, energy savings, or TO terms (II).
 - (c) Receives notification from NA-PAS when the contract is successfully closed out (JJ).
- (6) Concurs with contract award (Z).

⁴ Advance Change Directive (ACD) 436.1, *Updating Energy Performance Contract Requirements in the National Nuclear Security Administration*, approved September 9, 2022, Requirement 3.

b. Associate Administrator for Partnership and Acquisition Services.

(1) Project Planning Phase

- (a) Designates IPT members, following concurrence of Field Element manager, including the COR, NA-ESH, NNSA Field Element, and other subject matter experts (E).
- (b) Encourages IPT team members to complete ESPC training. (H).
- (c) Initiates procurement activities to include issuing the NOO after receiving written concurrence from NNSA Field Element management (J).

(2) Initial Project Development Phase

- (a) Incorporates utility baseline and escalation rates prepared by the NNSA Field Element and reviewed and concurred on by NA-ESH into the TO as the base rates (K).
- (b) Provides the DOE ESPC Review Board members access to the PA documents needed for its review and comment, including all financial information. Board members participate on the IPT and provide technical and other comments to the COR in accordance with the Board procedures (M).
- (c) Considers the comments received from DOE ESPC Review Board members on the PA prior to issuance of the Notice of Intent to Award (NOITA). Provides a written reply to the ESPC Review Board members' comments (P).
- (d) Issues the NOITA after receiving written concurrence from NA-ESH and NNSA Field Element management (R).

(3) Negotiation and Award Phase

- (a) Participates in IPT discussions to include ECM selection, M&V, and risk assumption, as appropriate. The COR provides information to NA-ESH and the NNSA Field Element so they may re-examine utility baseline and escalation rates and proposed energy savings and verify and document that assumptions and calculations are still valid (S).
- (b) Provides DOE ESPC Review Board members access to all the IGA documents, including financial information needed for its review and comment. Board members participate on the IPT and provide technical and other comments to the COR in accordance with Board procedures (T).

- (c) Considers the comments received from the DOE ESPC Review Board/IPT members prior to award of the TO. Provides a written reply to the DOE ESPC Review Board members' comments (W).
 - (d) After the Head of the NNSA Field Element and Associate Administrator of NA-ESH provide written concurrence to NA-PAS on the IGA, the CO awards the TO (AA).
- (4) Implementation/Construction and Acceptance Phase. Leads the discussions of change proposals that may affect scope, energy savings, or TO term (EE).
- (5) Performance Period through Closeout Phase.
 - (a) Reviews COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance (GG).
 - (b) Participates in discussions of change proposals that may affect scope, energy savings, or TO term (II).
 - (c) Advise NA-ESH, NNSA Field Element, and COR when the project is successfully closed out (JJ).
- c. NNSA Field Element.
 - (1) Pre-Planning Phase
 - (a) Considers energy performance contracting to the maximum extent practicable for energy and water projects (A).
 - (b) Advises NA-ESH and NA-PAS when pre-planning activities start (B).
 - (2) Project Planning Phase
 - (a) Provide a written request to NA-PAS to initiate project planning activities and notify NA-ESH (D).
 - (b) Participate in planning activities (G).
 - (c) Arrange for Federal Energy Management Program (FEMP) ESPC training for NNSA IPT members. This training is offered on-demand and/or by live session from FEMP (H).
 - (d) The Field Office Manager will provide written concurrence to CO to issue NOO (I).

(3) Initial Project Development.

- (a) Calculate the current site unit cost of energy to be used in the ESPC contract. Provide the rates and computations to NA-PAS and NA-ESH. Document how the proposed project savings could affect existing utility contracts for energy, gas, etc. (K).
- (b) Inform the COR about the customer's scope and expectations for the ESPC (or other energy performance contract) project. The COR (or Federal Project Director (FPD), if one is assigned) speaks for the Field Office regarding the scope of the project (L).
- (c) Review and submit comments on the PA to the COR for transmittal to the CO (N).
- (d) Discuss PA with COR and provide written concurrence to CO to issue the NOITA (Q).

(4) Negotiation and Award Phase.

- (a) Participate in IPT discussions especially for ECM selection, M&V, and risk assumption. Prior to the award, re-examine utility baseline and escalation rates, ECM and proposed energy savings, and verify that assumptions and calculations are still valid (S).
- (b) Review and submit comments on the IGA to the COR (U).
- (c) Field Office Manager provides written concurrence on the IGA to NA-PAS prior to CO award of the TO (Z).

(5) Implementation/Construction and Acceptance Phase.

- (a) Provide coordination between the ESCO and the M&O contractor in scheduling work requirements under the Energy Savings Performance Contract (ESPC) (BB).
- (b) Participate in commissioning activities (CC).

(6) Performance Period through Closeout Phase.

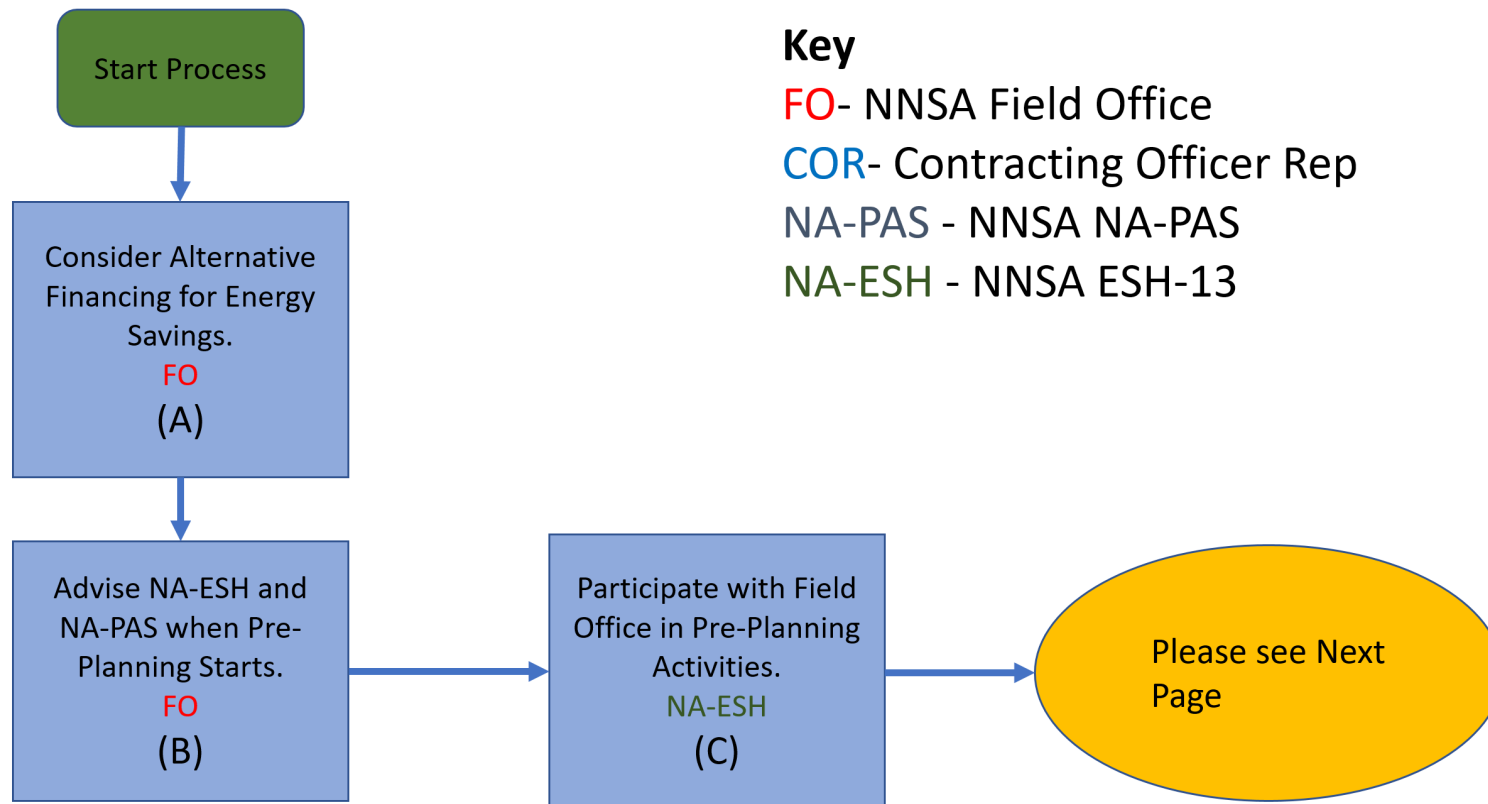
- (a) Review COR's summary of findings from the ESCO's Annual M&V Report for status of ESCO performance (GG).
- (b) Receive notification from NA-PAS when the contract is successfully closed out (JJ).

- d. Contracting Officer's Representative (COR).
- (1) Project Planning Phase. Participate in planning activities (G).
 - (2) Initial Project Development Phase.
 - (a) Review and provide comments on utility rates for energy savings (K).
 - (b) Receive, review, and consolidate DOE ESPC Review Board/IPT comments on the PA and submit to the CO (O).
 - (c) Provide Field Office management with recommendation for concurrence on the issuance of the NOITA, which starts the IGA (Q).
 - (3) Negotiation and Award Phase.
 - (a) Participate in IPT discussions especially for ECM selection, M&V, and risk assumption. Prior to the award, the Field Element, NA-ESH, and COR re-examine utility baseline and escalation rates and proposed energy savings with input from the Field Element and NA-ESH that verifies and documents that assumptions and calculations are still valid (S).
 - (b) Receive, review, and consolidate DOE ESPC Review Board/IPT comments on the IGA and submit to the CO (V).
 - (c) Provide the CO with written concurrence on the technical aspects of the IGA (X).
 - (d) Conduct an economic analysis based on IGA documentation using the FEMP life cycle cost methodology. Provide Field Office management with recommendation on NOITA issuance (Y).
 - (4) Implementation/Construction and Acceptance Phase.
 - (a) Participate in the project commissioning activities. Provide written recommendations of the technical acceptability of the project to the CO (CC).
 - (b) Notify NA-ESH and the CO of any potential changes to the ESPC TO that may impact energy and water savings, energy and water cost savings, implementation cost, or TO term (DD).
 - (c) Participate in discussions of change proposals that may affect scope, energy savings, or TO term (EE).

(5) Performance Period through Closeout Phase.

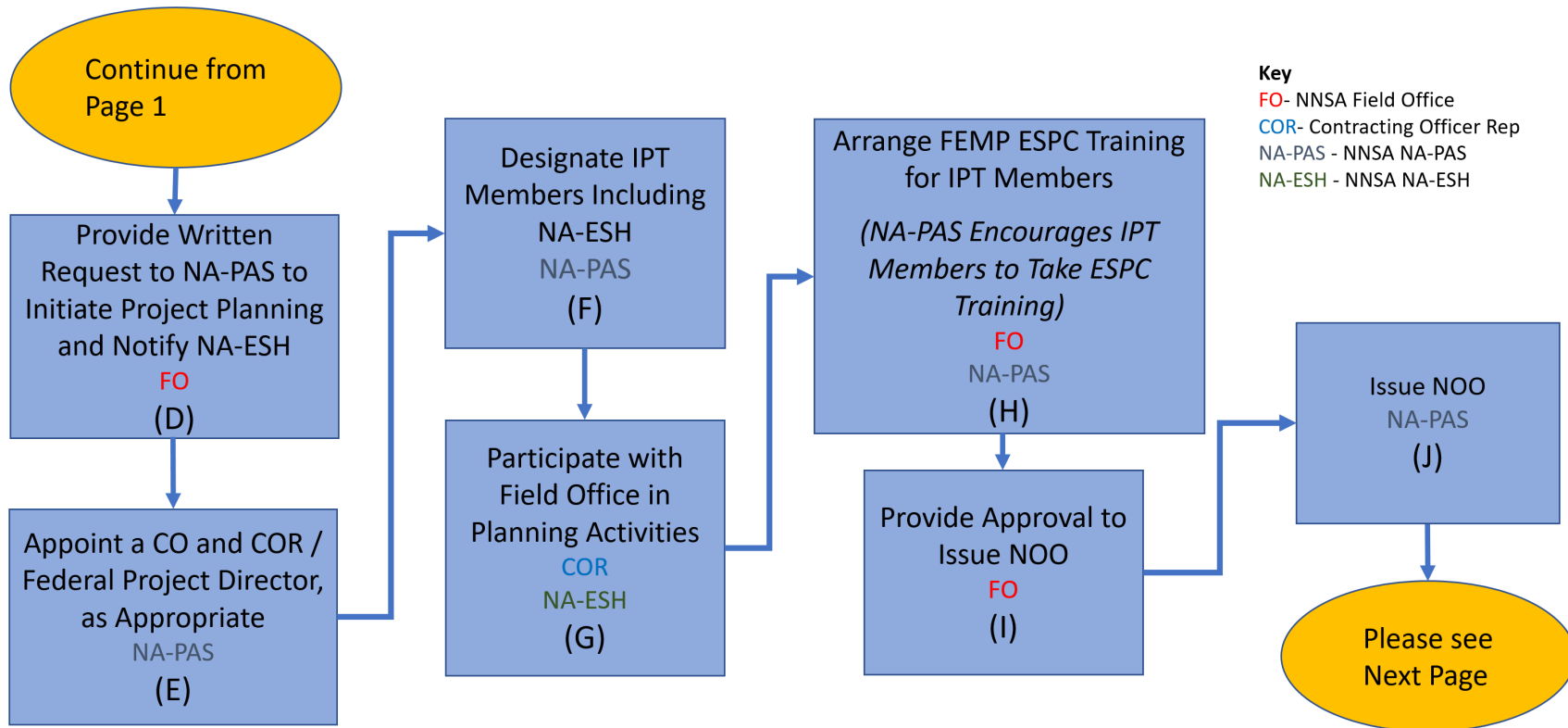
- (a) Conduct life-of-task-order activities along with the ESCO (FF).
- (b) Review the annual M&V Reports and provide a summary M&V Report to NA-ESH, NA-PAS, and the Field Office along with a copy of the Report (GG).
- (c) Notify NA-ESH and the CO of any potential changes to the ESPC TO that may impact energy and water savings, energy and water cost savings, implementation cost, or TO term (HH).
- (d) Participate in discussions of change orders that may affect scope, energy savings, or TO term (II).
- (e) Receive notification from NA-PAS when the project is successfully closed out (JJ).

PRE-PLANNING PHASE

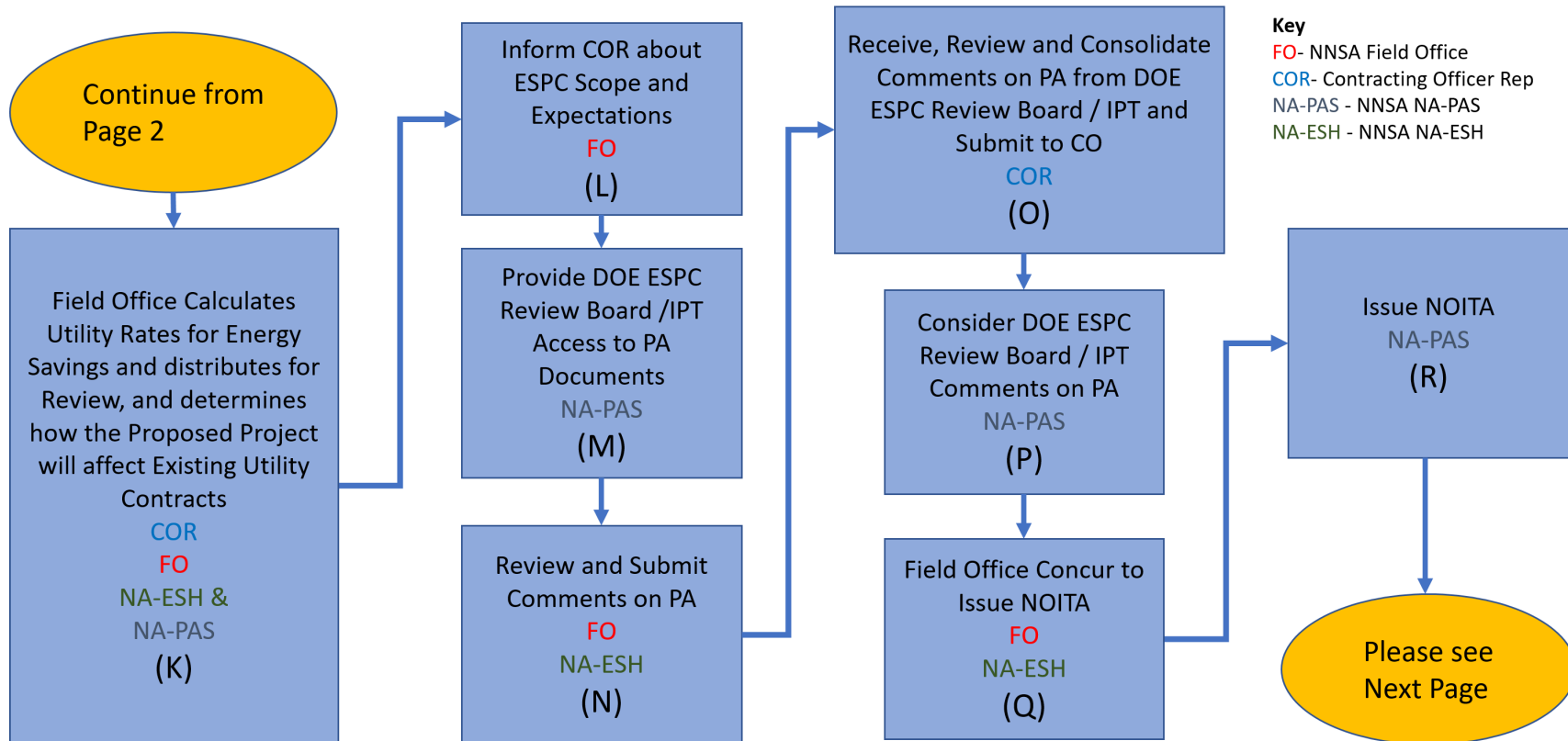


Please note: This is an abbreviated process flow diagram. Reference SD text for details associated with the process steps (1.e., (A), (B), (C), ...)

PROJECT PLANNING PHASE

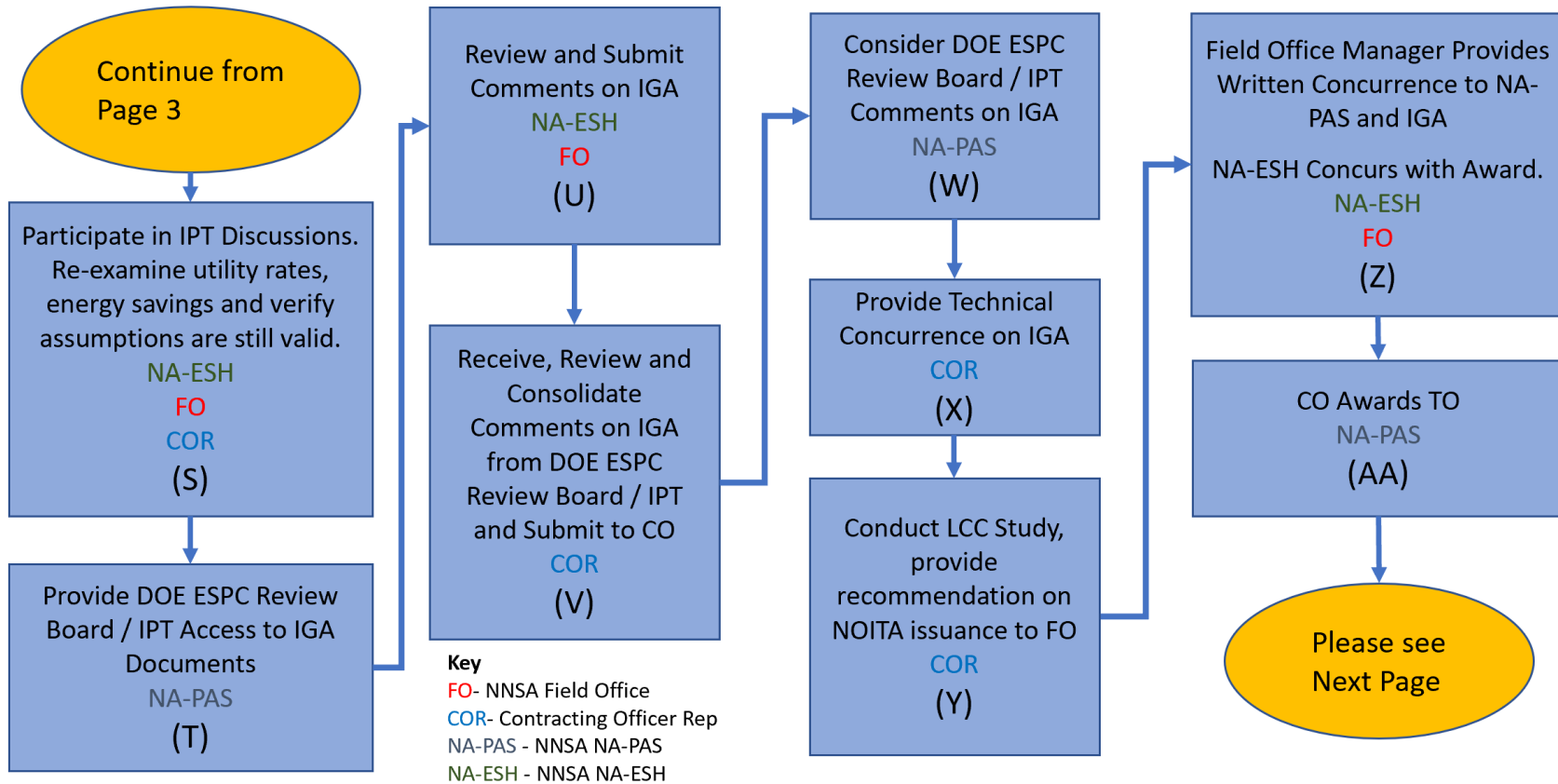


INITIAL PROJECT DEVELOPMENT PHASE



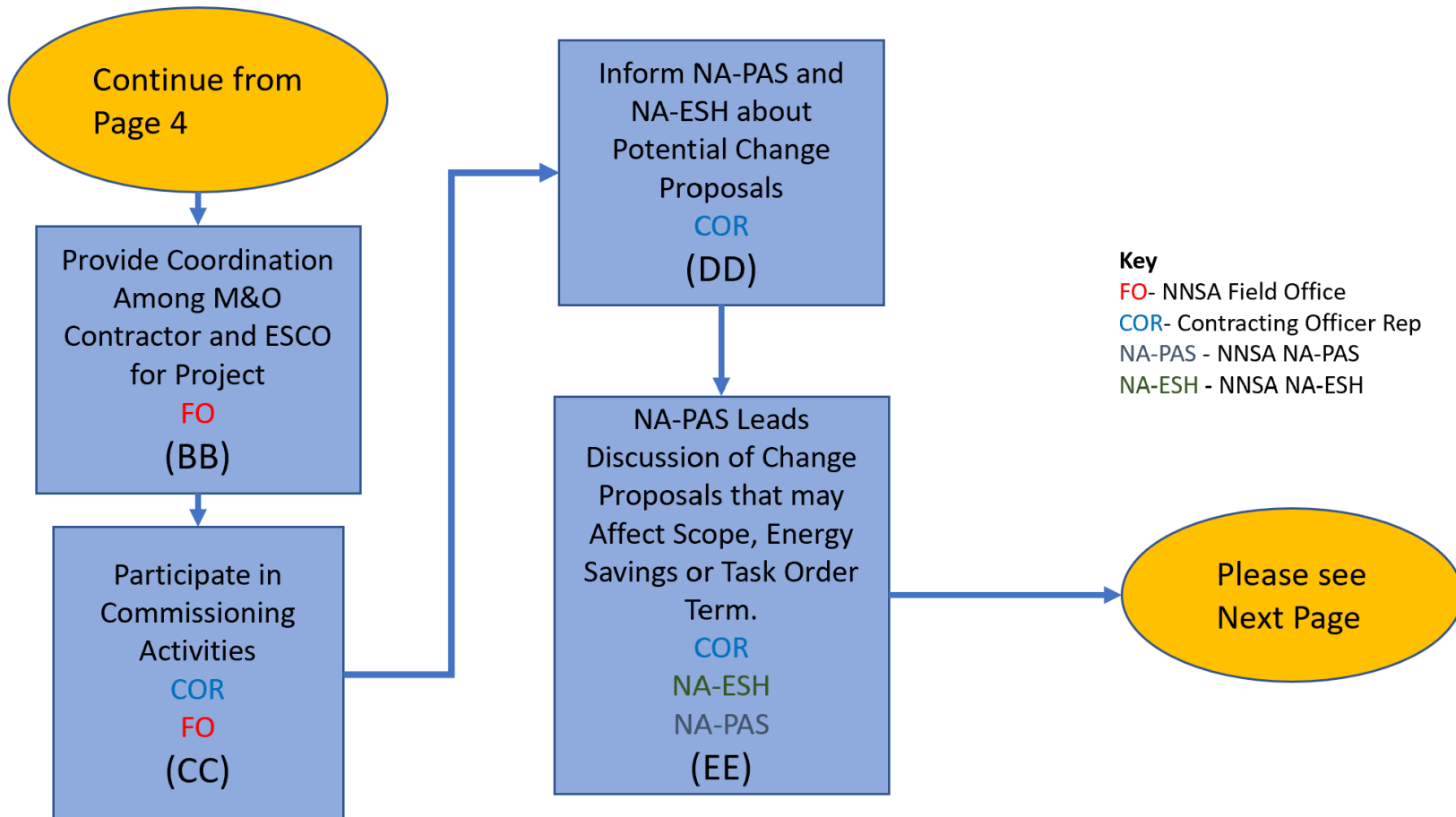
NEGOTIATION AND AWARD PHASE

Negotiation and Award Phase



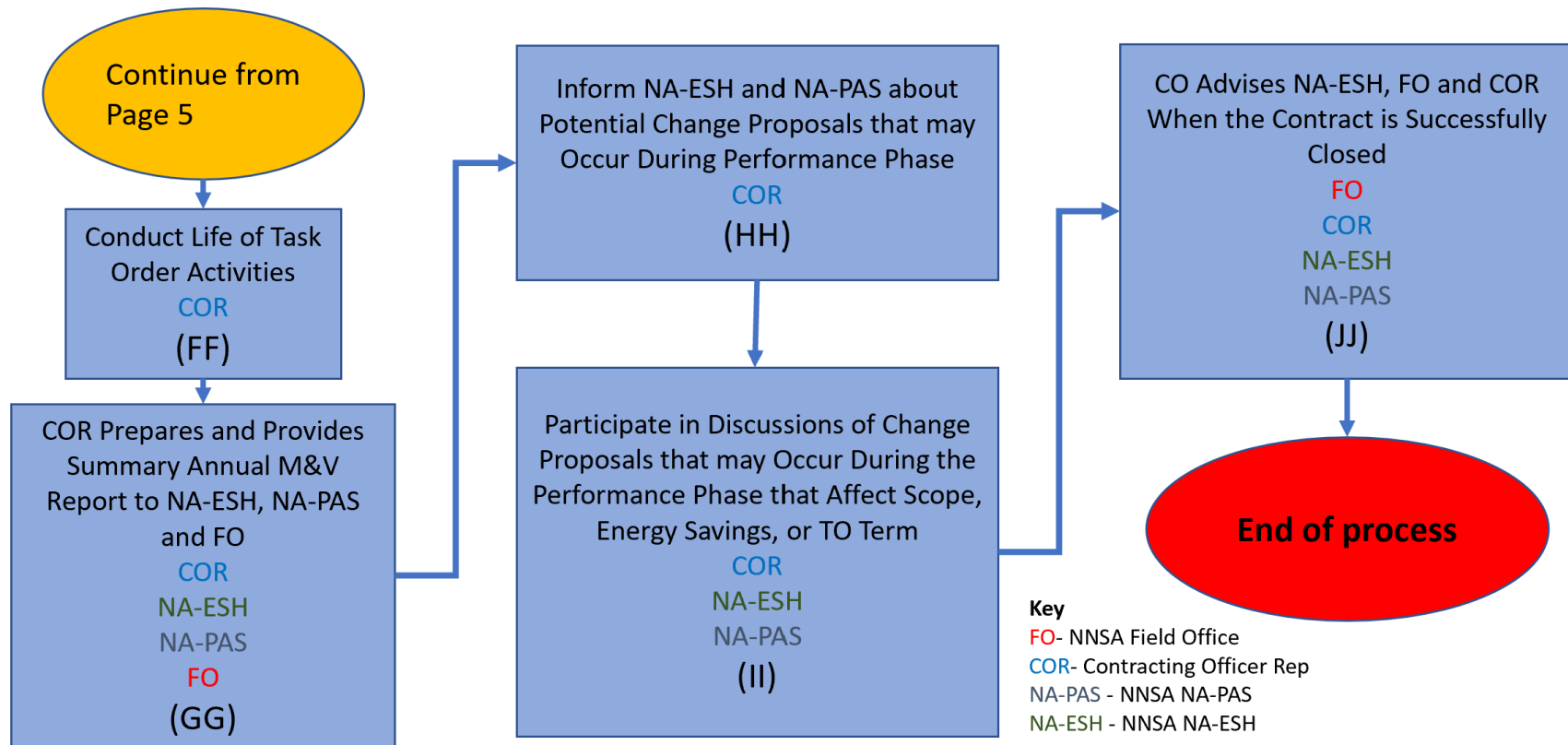
IMPLEMENTATION/CONSTRUCTION AND ACCEPTANCE PHASE

Implementation / Construction Acceptance Phase



PERFORMANCE/CLOSEOUT PHASE

Performance / Closeout Phase



APPENDIX B: DEFINITIONS

- a. Escalation Rate. The rate of change in price for a particular good or service, such as energy/water commodities (as contrasted with the inflation rate, which is for all goods and services).
- b. Energy Conservation Measures (ECMs). (1) Measures that are applied to a Federal building that improve energy efficiency and are life-cycle cost-effective and that involve energy conservation, cogeneration facilities, renewable energy sources, improvements in operations and maintenance, or retrofit activities. Source: 42 U.S.C. 8287c(3), Authority to Enter into Contracts. (2) A measure that is applied to an existing federal building or facility that improves energy efficiency, is life-cycle cost-effective under Title 10 CFR Part 436, Subpart A (10 CFR Part 436, Subpart A), Methodology and Procedures for Life Cycle Cost Analyses and involves energy conservation, cogeneration facilities, renewable energy sources, improvements in operation and maintenance (O&M) efficiencies, or retrofit activities that result in energy, water, or related cost savings. For the purposes of this definition, improves energy efficiency is not limited to a more efficient conversion of energy – rather, when renewable energy is substituted for conventional energy fuels resulting in the Government’s reduced use of conventional energy sources, such a substitution constitutes improved energy efficiency. O&M efficiency improvements are also realized when O&M costs for a facility are reduced because of the energy efficiency improvement(s).
- c. Energy Savings Performance Contracts (ESPCs). Allow Federal agencies to procure energy savings and facility improvements with no up-front capital costs or special appropriations from Congress. An agency can contract with an energy service company for a period not to exceed 25 years to improve energy efficiency in one or more agency facilities at no direct capital cost to the United States. The energy service company finances the capital costs of implementing energy conservation measures and receives, in return, a contractually determined share of the cost savings that result. Performance Contracts are similar to a conventional firm-fixed-price turn-key energy project; however, the performance contract allows the National Nuclear Security Administration to provide only minimal up front implementation costs.
- d. Energy Savings Performance Contract Review Board. A Department of Energy (DOE) review board comprised of various technical experts, which operates in an advisory capacity to review Energy Performance Contract proposals, identify potential issues, and increase the probability of a successful Energy Performance Contract. The DOE ESPC Review Board Chair ensures that interested offices have an opportunity to review a proposed Energy Performance Contract from their respective points of view and resolve any potential issues, increasing the probability of success.
- e. ESPC ENABLE. A project designed to permit a standardized and streamlined procurement process for small federal projects to install energy conservation measures (ECMs) in six months or less using a Federal Indefinite Delivery Indefinite Quantity Contract developed and managed by the General Services Administration.

- f. Field Managers. The DOE field office manager has direct management and oversight authority over operational activities. Field may have various other designations, including operations office, site office, service center, and project office.
- g. Integrated Project Team (IPT). A cross-functional group of individuals organized for the specific purpose of delivering a project to an external or internal customer. It is led by a Federal Project Director. Source: DOE O 413.3, Program and Project Management for the Acquisition of Capital Assets, chg 7.
- h. Investment Grade Audit (IGA). A site survey that may include a detailed analysis of the energy cost savings and energy unit savings potential, building conditions, energy consumption, and hours of use or occupancy for a facility for the purpose of preparing technical and price proposals.
- i. Measurement and Verification (M&V). The stipulated methodology in the ESCO's contract on how to take measurements, complete inspections, and apply mathematical calculations to determine the before and after for an energy performance contract cost savings resulting from installed improvements in energy-consuming systems.
- j. Notice of Opportunity (NOO). A request for expression of interest issued by the ordering agency to notify the Indefinite Delivery, Indefinite Quantity contract holders of its desire to pursue an ESPC project, its ESPC-related objectives and mission, the facilities that may be included, and the energy usage for its facilities. The NOO also includes significant evaluation factors, their relative importance, and a submittal deadline for responses to the notice.

APPENDIX C: ACRONYMS/ABBREVIATIONS

a.	<u>CO</u>	Contracting Officer
b.	<u>COR</u>	Contracting Officer's Representative
c.	<u>DOE</u>	Department of Energy
d.	<u>ECM</u>	Energy Conservation Measure
e.	<u>ENABLE</u>	GSA alternative financing program (not an acronym)
f.	<u>ESCO</u>	Energy Services Company
g.	<u>ESPC</u>	Energy Savings Performance Contract
h.	<u>FEMP</u>	Federal Energy Management Program
i.	<u>FO</u>	Field Office
j.	<u>IGA</u>	Investment Grade Audit
k.	<u>IPT</u>	Integrated Project Team
l.	<u>M&V</u>	Measurement and Verification
m.	<u>NA-ESH</u>	Office of Environment, Safety, and Health
n.	<u>NA-PAS</u>	Office of Partnership and Acquisition Services
o.	<u>NOITA</u>	Notice of Intent to Award
p.	<u>NOO</u>	Notice of Opportunity
q.	<u>PA</u>	Preliminary Assessment
r.	<u>TO</u>	Task Order

APPENDIX D: REFERENCES

- a. *National Energy Conservation Policy Act* (42 U.S.C. 8287) provides Federal agencies authority to use an ESPC when life-cycle cost-effective, to reduce energy use and cost in the agency's facilities and operations.
- b. *Energy Policy Act of 1992* (Public Law (P.L. 102-486) authorized Federal agencies to use private sector financing to implement energy conservation methods and energy efficiency technologies.
- c. *Energy Policy Act of 2005* (P.L. 109-58) reauthorized the use of ESPCs by Federal agencies through fiscal year (FY) end 2016.
- d. *Energy Independence and Security Act of 2007* (P.L. 110-140) permanently reauthorized the use of ESPCs.
- e. *Energy Act of 2020* (P.L. 116-133, Division Z), (42 U.S.C. Section 8253) sets forth new agency reporting requirements for ESPCs and Utility Energy Service Contracts.
- f. [Executive Order 14057, Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability, dated 12-08-21.](#)
- g. [DOE O 436.1A, Departmental Sustainability, dated 04-25-23.](#)
- h. NNSA Advance Change Directive 436.1, *Updating Energy Performance Contract Requirements in the National Nuclear Security Administration*, dated 09-09-22.
- i. FEMP resources to help Federal agencies implement ESPCs including case studies and training are available at [http://www.energy.gov/eere/femp/resourcesimplementing-federal-energy-savings-performance-contracts.](http://www.energy.gov/eere/femp/resourcesimplementing-federal-energy-savings-performance-contracts)
- j. The ESPC ENABLE program provides a standardized, streamlined process for small federal facilities to install targeted energy conservation measures. For additional information please see: [https://www.energy.gov/eere/femp/energy-savings-performance-contract-enable-federal-projects.](https://www.energy.gov/eere/femp/energy-savings-performance-contract-enable-federal-projects)