

The FAQs of Performance Contracting

As districts look to save money and energy, they should consider performance contracting.

By Erin Green

The Clean Power Act will dramatically change how the United States makes energy. We may have a temporary drop in the cost of petroleum and gas products, but the

move away from coal-fired energy plants will eventually lead to higher electricity and gas prices as demand for clean power increases. The cost of solar and LED lighting has plummeted recently, making those

renewable and efficient sources of power affordable and an excellent hedge against the coming rising utility costs.

If your district is looking to save energy—and dollars—consider



performance contracting. Here are some questions, answers, and advice.

1. Why not manage the project ourselves? Performance contracts are nothing but money-makers for companies and rack up extra costs for school districts, right? The old-school performance contracts may have been moneymakers, but the marketplace has changed with demands for full transparency; there is no “hiding” the real project costs. When searching for a performance contractor, look for a company that will bid all the elements and share the results.

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Ask if you can pick the contractors and suppliers that you have faith in or have established good relationships with. Go “nonproprietary” with equipment so you are not locked into expensive maintenance contracts or overpriced “brand” equipment.

Yes, there is a small cost for verifying savings, which is needed under a performance contract. However all results are guaranteed, eliminating risk for you.

2. We already have an architect and general contractor on board for our projects. Can't they handle the mechanical elements? Most architectural firms subcontract for mechanical, electrical, plumbing, and HVAC (heating, ventilating, and air conditioning) work. With this subcontract may come another layer of profit for them, and an expense for your district. By segregating out this portion of the work to an energy services company, you get a design-build guaranteed project without added layers of cost.

What's more, no “finger-pointing” takes place when things don't function as promised, as the energy services companies' engineers design the project and build it. Seek a company that will work in partnership with your architect and construction manager. As the procurer of architectural services, you have the power to decide to segregate this portion of work.

3. Why should I consider using a performance contract for mechanical, electrical, plumbing, and HVAC work? Besides saving large amounts of money on utilities, you can make your district

more sustainable and green for the long haul. Our buildings from the 1950s, 1960s, and 1970s need upgrading. With a design-build performance contract, one company designs, installs, and commissions the project and equipment. If something does not perform as promised, there is one responsible party.

A reputable company will guarantee not only cost and energy savings, but also an optimal learning environment, such as thermal comfort, humidity, air exchange, and noise levels.

4. Should I do an RFP (request for proposal) or RFQ (request for qualifications)? What's the difference? An RFQ will not give you any pricing on the projects. Rather, it will address such items as the company's financials, time in business, work done to date, and references. An RFP will give you pricing on the proposed projects without committing you to doing them.

Seek a company that will give you enough specifics in your energy project survey to bid out the projects without committing you to a fee if you do not choose them.

5. What else should I look for?

Look for a company with a flat structure to keep costs down (big publically owned companies have to make a good return for stockholders and pay the home office besides the branch). Look for a company that is transparent with its profit margin and operational overhead; uses open-book pricing; gives you the choice of contractors and vendors, guaranteed cost savings and maximum price, and guaranteed performance (temperatures, energy savings, humidity, noise levels of the learning environment); is brand independent; and offers a guarantee of no change orders.

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