



Performance Based Contracts - Update

September 12th, 2023





Overview

Staff will be requesting enter into two separate agreements with Midstate Energy and McKinstry Essention



Energy Saving Performance Contracts Process

Council approval in September of 2018

Preliminary Assessment

Identifies locations, systems, measures



Council approval in June of 2021

Investment Grade Audit

Measures identified, quantified



Council Approval Required

Performance Contract

Construction/CIP Projects





Background

- On September 25th, 2018, council voted to enter a linking agreement with Midstate Energy for Energy Performance Contracting Services
- On October 8th, 2019, council voted to enter a linking agreement with McKinstry for Energy Performance Contracting Services
- On March 23rd, 2021, council discussed the benefit of Performance Based Contracting and preliminary assessments.
- On June 8th, 2021, authorized staff to proceed with investment grade audits for Energy Performance Contracting Services with Midstate Energy and McKinstry LLC
- On October 25th, 2022, council discussed the investment grade audit results and project scopes.
- On December 13th, 2022, council gave consensus to develop contract(s) and provide an overview in a future workshop



Follow Up from December 2022





Contract Overview

- Length of each contract
- Measurement & Verification
- Maintenance Plan
- All rebates come back to the City





Total Performance Based Contract Summary

	Preliminary Assessment 2021	Investment Grade Audit 2022	Investment Grade Audit Update (2023)
Project 1 and 2 total cost	\$7,965,255	\$10,042,479	\$12,945,153*
Total <u>Average</u> Annual Energy Saving	\$527,066	\$478,487	\$633,170*
Total Capital Contribution FY23	\$2,175,000	\$1,976,617	\$1,976,617
Total Project Cost minus Capital Contribution	\$5,790,255	\$8,065,862	\$10,968,536

* These numbers are from March 1st, 2023



Total Performance Based Contract Summary

	Investment Grade Audit Update FY23	Total Payback Years	Updated in FY24
Project 1 and 2 total cost	\$12,945,153	20.4 years	\$12,945,153
Total Capital Contribution	\$-1,976,617		\$-12,123,383
Total Project Cost minus Capital Contribution	\$10,968,536	17.3 years	\$821,770
Total Estimated Rebates	\$-70,000		\$-70,000
Total Estimated Solar Investment Tax Credit	\$-1,164,869		\$-1,164,869
Total Estimated cost after deducting rebates, Tax Credits, and Capital Contribution	\$9,733,667	15.4 years	\$413,099 Project Contingency

Proceed with Midstate Energy and McKinstry Essention