

June 26, 2012

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Authorization to Fund Statewide Energy Services
Program Engineering, Design and Construction
Services – Contract Awards**

SUMMARY

The Trustees are requested to approve the award of contracts for Engineering, Design and Construction services to PRES Services LLC (“PRES Energy”), Parsons Brinckerhoff, Inc. (“Parsons Brinckerhoff”) and Cannon Design-Build, Inc. (“Cannon Design”) in the amount of \$200 million, in aggregate, in support of the Authority’s Statewide Energy Services Program (“Statewide ESP”). The term of these contracts will be five years. Funding will be provided from the \$833 million previously approved by the Trustees at their May 26, 2010 meeting; therefore, no additional program funding is requested at this time. All project costs will be recovered from program participants.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for procurement contracts involving services to be rendered for a period in excess of one year.

In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personnel services or equipment contracts in excess of \$3 million, as well as personnel services contracts in excess of \$1 million if low bidder, or \$500,000 if sole source or non-low bidder, requires the Trustees’ approval.

The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety, while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, since the late 1980s, the Authority has provided energy services programs throughout New York State (“NYS”). In aggregate, the Authority’s energy services programs have been very successful, and to date, the Authority has achieved nearly \$143 million in annual customer savings at about 4,506 public facilities, including schools, hospitals and municipal buildings, for a reduction of annual greenhouse gas emissions of more than 846,000 tons.

NYS has been at the forefront of creating a more sustainable and cleaner future with initiatives such as the NY-Sun Initiative and Energy Highway Project. On April 26, 2012, Governor Cuomo announced increased investments in clean energy and environmental projects through the Authority and NYS Energy and Research Development Authority (“NYSERDA”), including \$450 million commitment to reduce energy consumption in state

buildings by 20% over the next four years which will result in significant benefits for the environment. In addition, the Authority also intends to finance an additional \$350 million over the next four years to provide energy efficiency financing and technical services to county and local governments and schools, to help lower local government costs for taxpayers.

The Authority provides services that include feasibility studies and energy master plans, engineering designs, life-cycle cost analyses, procuring equipment, contractor labor, hazardous waste disposal, managing projects/construction and financing projects. Measures include, but are not limited to: energy-efficient lighting and controls; building envelope-related improvements; heating ventilation and air-conditioning modernization, including energy-efficient chillers, boilers and controls; high-efficiency motors; variable-speed drives; energy management systems (“EMS”); process controls and distributed generation and a variety of beneficial electrification technologies.

DISCUSSION

As the general contractor for the Statewide ESP, the Authority contracts for the installation of ESP measures with Implementation Contractors (“ICs”). The services provided by the ICs complement the Authority’s headquarters and field office resources. The ICs’ scope-of-work generally consists of the following:

- On-site screenings of customers’ facilities to determine which ones are likely candidates for clean energy technologies projects and/or for realizing significant energy and operational cost savings from energy efficiency measures;
- On-site surveys, energy audits, technical feasibility studies and energy master plans to identify potential applications for clean energy or energy efficiency measures approved for the Statewide ESP;
- Detailed engineering studies and analyses of specific ESP measures or systems
- Design of proposed systems and/or measures;
- Preparation of project proposal documents and solicitation of competitive bids
- Procurement of equipment and installation services;
- Construction management and oversight of proposed system and/or equipment installation and project closeout (including waste management).

In addition, ICs are required to work directly with the customer/program participants from facility audit to final acceptance of equipment installation. Procurement of materials and installation of the recommended ESP measures are competitively bid by the ICs and the ICs are required to guarantee the quality of all work performed.

On March 7, 2012, the Authority advertised in the New York State *Contract Reporter* a Request for Proposals (“RFP”) soliciting firms interested in providing the aforementioned services for Engineering, Design and Construction. In response to the advertisement and invitation to bid, 192 firms received the RFP packages. On March 20, 2012, a mandatory pre-bid conference for those bidders who registered on the Authority’s Web site was held in the Jaguar Room at the Authority’s White Plains Office to explain the proposed scope-of-work and provide an opportunity for potential bidders to ask questions and seek clarification. Twenty-nine (29)

firms attended the mandatory pre-bid conference. The RFP was divided into three solicitations: Engineering Design and Construction Services; Additional Services; Retro-commissioning. The Bidders were instructed to bid on any or all three geographic regions. The geographic regions are broadly defined as Downstate, Northeast and Western New York.

On April 24, 2012, eleven firms submitted bids for the aforementioned services. The bid evaluation committee reviewed the proposals and based on the evaluation of the firms' relevant experience and fees staff recommends the award of contracts for Engineering, Design and Construction Services to the three most qualified and overall lowest-cost bidders in the Downstate, Western and Northeast New York regions: PRES Energy, Parsons Brinckerhoff, and Cannon Design. Two contracts are recommended for each region based on the anticipated level of program activity and to ensure the availability of qualified resources in the event that the performance of a contractor does not meet the Authority's expectations.

PRES Energy

PRES Energy is currently under contract for design and implementation services for Statewide ESP and as such, its proposal clearly showcases relevant experience in the design and construction management required as described in the RFP. PRES Energy provided pricing for Downstate, Western and Northeast New York regions and they are recommended for all three regions. PRES Energy fully understands the Authority's processes and has proven program experience. The company's staffing and work plan are the same as those under its current contract. The evaluation committee reviewed PRES Energy's performance history, specifically evaluating its performance on the completed \$12 million project at SUNY Buffalo. PRES Energy has demonstrated its ability to meet the requirements of the ESP successfully under its previous contract. PRES Energy's headquarter office is in Buffalo with NYS satellite offices in Rochester and Syracuse.

Parsons Brinckerhoff

Parsons Brinckerhoff provided pricing for the Northeast and Downstate New York regions and the firm is recommended for both regions. Parsons Brinckerhoff is currently under contract for project management and implementation services for Statewide ESP and therefore fully understands the Authority's processes. With offices established in Albany and New York City, Parsons Brinckerhoff's staffing and work plan, as described in its proposal, will enable it to be effective in both regions. The evaluation committee reviewed Parsons Brinckerhoff performance history and concluded that it has satisfactorily completed projects with the Albany Central School District and is also currently managing several projects successfully. In addition, Parsons Brinckerhoff has demonstrated its ability to meet the requirements of the RFP, including working with NYS agencies such as the NYS Education Department and the NYS Office of General Services. Parsons Brinckerhoff's headquarters office is in New York City with a satellite office in Albany.

Cannon Design

The proposal submitted by Cannon Design demonstrated relevant experience in the design and construction management of energy efficiency measures described in the RFP. Cannon Design provided pricing for the Western New York region only and is the second lowest bidder for the region. Cannon Design is new to the Authority's programs and as such, the evaluation committee conducted a detailed review of its proposal. Cannon Design was able to clearly and successfully demonstrate to the committee its ability to satisfy the requirements of the RFP. Cannon Design has offices in Buffalo and New York City.

FISCAL INFORMATION

The financing of these contracts will be provided by the previously approved \$833 million funding for the Statewide ESP approved by the Trustees at their May 26, 2010 meeting. The funding will be provided from the proceeds of the Authority's Commercial Paper Notes and/or the Operating Fund. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution ("POCR") funds. An initial allocation of \$20 million will be made to PRES Energy and Parsons Brinckerhoff and a \$10 million allocation will be made to Cannon Design. Additional allocations will be based on each firm's performance and subject to the approval limits for execution of commitments in the Authority's then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures). All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered consistent with other Energy Services programs.

RECOMMENDATION

The Senior Vice President – Economic Development and Energy Efficiency and the Vice President – Energy Efficiency recommend that the Trustees approve the award of contracts for Engineering, Design and Construction Services to PRES Services LLC, Parsons Brinckerhoff, Inc. and Cannon Design-Build, Inc. for up to \$200 million, in aggregate, for a term of five-years.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones
President and Chief Executive Officer

Att.
Statewide ESP

RESOLUTION

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, the Vice President – Energy Efficiency or such other officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority and Statewide Energy Services Program (“Statewide ESP”) participants and to execute agreements and other documents with Implementation Contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive Vice President and General Counsel, to facilitate the development of the Statewide ESP and that the authorized funding level for the Statewide ESP of \$833 previously authorized remains, as listed below:

<u>Commercial Paper Program/ Operating Fund/ POCR</u>	<u>Statewide ESP Authorization</u>
Previously Authorized	\$833 million
Additional Funding	<u>\$0 million</u>
Total Amount	<u>\$833 million</u>

AND BE IT FURTHER RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the approved limits for execution of commitments in the Authority’s then-current Expenditure Authorization Procedures (or equivalent limits set forth in any successor procedures), \$200 million of the foregoing amount be allocated in aggregate to the approved contracts with PRES Services LLC, Parsons Brinckerhoff, Inc. and Cannon Design-Build, Inc. for a five-year term ending June 30, 2017 in the amount and for the purpose listed below:

**Commercial Paper /
Operating Funds/POCR**

**Expenditures Authorization
(not to exceed)**

**PRES Services LLC
Parsons Brinckerhoff, Inc.
Cannon Design-Build, Inc.**

**\$200 million (aggregate)
Funds will be allocated based on
contractor performance and areas of
specialization. Initial allocations of
\$20 million each will be made to
PRES Energy and Parsons
Brinckerhoff and \$10 million will be
allocated to Cannon Design**

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued and Operating Fund monies may be used to finance Statewide ESP costs; and be it further

RESOLVED, That the Vice President – Energy Efficiency is authorized to determine which projects in the Statewide ESP will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") to be funded in part with Petroleum Overcharge Restitution ("POCR") Funds allocated pursuant to the Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by the Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Vice President – Energy Efficiency to finance Statewide ESP projects; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all

actions and execute and deliver any and all certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.