

ATTACHMENT J-2

DEFINITIONS OF APPLICABLE TERMS

Added Premium - The added premium is the number of basis points (basis point=1/100 of a percentage point) that, when added to the index rate for a task order project, equals the total Project Interest Rate (a fixed annual percentage). The entity providing the capital to finance a project, which may be the contractor or a third party, can recover financing expenses either in the added premium or as a separate Financing Procurement Price. In most cases, contractors use project financing capital from third party financiers, and the added premium is a pass-through expense from the third party financier. In such cases, the contractor may recover the cost of arranging third-party financing through the Financing Procurement Price in Schedule TO-3.

Adjusted Energy Baseline - An energy baseline that has been adjusted to compensate for factors that would have changed energy consumption in the absence of any energy conservation measures (i.e., factors affecting baseline energy use beyond the contractor's control). Examples of such factors include increases or decreases in conditioned or illuminated space, changes in occupancy or building use, facility renovation, or extremes in weather.

Annual Energy Audit - The term annual energy audit means a procedure including, but not limited to, verification of the achievement of guaranteed energy, water, and related cost savings and energy unit savings, resulting from implementation of energy conservation measures and a determination of whether an adjustment to the energy baseline is justified by conditions beyond the contractor's control. (Also known as Annual Measurement and Verification.)

Annual Measurement and Verification (M&V) - See Annual Energy Audit and Section C.4

Applicable Financial Index - The financial index upon which, the index rate, the first component of the project interest rate, is based. This term, as used in the contract, applies to any financial index that is available and usable as a basis or floor. This index may be any acceptable market index in effect at the time of a task order award for which it is proposed, to include U.S. Government Treasury, Swap Rate, etc.

Commissioning – Procedures undertaken, generally by the contractor, to assure that energy conservation measures and building systems perform interactively in accordance with design documentation and intent. See “FEMPs Commissioning Guide for ESPCs” at http://www1.eere.energy.gov/femp/pdfs/comm_guide_espc.pdf.

Construction Finance Charges - The contractor's costs of financing the price of construction or energy conservation measure installation. A contractor may not require construction financing for a specific task order. If a contractor does not require construction financing for a specific task order, this cost element would be zero. This cost element should be included in Financing Procurement Price on Schedule TO-3 (not as a direct cost or implementation expense).

Contracting Officer (CO) and Contracting Officer's Representative (COR) - The following four definitions are provided to distinguish among the DOE and agency CO and COR:

Agency Contracting Officer refers to the ordering agency CO, responsible for award and administration of task orders (TOs) against the master indefinite delivery/indefinite quantity (IDIQ) contracts.

Agency Contracting Officer's Representative refers to the ordering agency COR, responsible for technical direction and administration of the TOs issued against the IDIQ contracts.

Contractor Initiated Method – The selection process a Federal agency would use if it received an unsolicited concept or Proposal for an ESPC project from a contractor. The process requires that all DOE IDIQ contract holders be provided an opportunity to submit competing concepts or Proposals. This contractor selection method has been removed from the contract, but may continue to be used for projects already in progress as of the date of this modification.

Direct Costs - Any allowable cost that can be specifically identified to a particular final cost objective.

Energy Baseline - The amount of energy that would have been consumed annually without implementation of energy conservation measures based on historical metered data, engineering calculations, sub-metering of buildings or energy consuming systems, building load simulation models, statistical regression analysis, or some combination of these methods.

Energy Conservation Measure (ECM) - A measure applied to a Federal building or facility that improves energy efficiency, is life cycle cost effective under 10 CFR Part 436, Subpart A, and involves energy conservation, cogeneration facilities, renewable energy sources, improvements in operation and maintenance efficiencies, or retrofit activities. The term ECM includes renewable energy systems and other measures that result in energy, water, or related cost savings. For 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 usage of conventional energy sources, such a substitution constitutes “improved energy efficiency.”

Energy Cost Savings - A reduction in the cost of energy, water, and related operation and maintenance expenses from a base cost established through a methodology set forth in an energy savings performance contract (ESPC), utilized in Federal buildings or facilities as a result of: (1) installation of energy conservation measure(s); (2) the lease or purchase of operating equipment, improvements, altered operations and maintenance, or technical services; or (3) the increased efficient use of existing energy sources by cogeneration or heat recovery.

Energy cost savings are generally recurring savings - savings that occur year after year; however, one-time energy cost savings may come from energy savings in excess of guaranteed savings, either during the post-acceptance performance period or during the implementation period.

Energy-Related Cost Savings - Energy-related cost savings are generally recurring reductions in expenses (other than energy costs) related to energy-consuming equipment, generally affecting operations, maintenance, renewal, or repair expenses of equipment. One-time energy-related cost savings can result from avoided expenditures of operations and maintenance, repair and replacement, or capital expenditures funds for projects (e.g., equipment replacement) that, because of the energy savings performance contract project, will not be necessary.

Escalation Rate - The escalation rate is the rate of change in price for a particular good or service (as contrasted with the inflation rate, which is for all goods and services).

Estimated Energy Cost Savings - Estimated energy cost savings are the contractor-estimated energy cost savings in dollars per year for each energy conservation measure (ECM), and equal the estimated energy savings multiplied by the established energy prices in appropriate units. For ECMs with multiple energy type impacts, energy cost savings equals the sum of the products of the energy savings by energy type and established energy prices. The established energy prices are based on the energy tariffs or rate schedules in affect at the time the project is being developed. Since energy cost savings occur each year after ECMs are implemented, they are a recurring cost savings. Estimated energy cost savings by ECM are entered into Schedule TO-4, column (e).

Expression of Interest - An IDIQ contract holder's written response to an agency Contracting Officer's notification of a potential ESPC task order that expresses its interesting in pursuing an ESPC project.

Financing Procurement Price - The financing procurement price is the price offered by the contractor for the service of arranging the project financing, obtaining any required payment and performance bonds, and providing construction phase financing.

Government-Initiated Project - A project initiated by a Federal agency's release of a task order request for Proposals to the master indefinite delivery/indefinite quantity contractor awardee(s) and accepted by the Department of Energy and the applicable agency. This method has been revised to include the SBQ and SBPA methods.

Guaranteed Annual Cost Savings - The guaranteed annual cost savings are the levels of annual cost savings the contractor is willing to guarantee for a task order (TO) project. The proposed values for these savings appear in Schedule TO-1 (PA), column (b). After the IGA, the contractor revises the preliminary assessment and offers the final values in Schedule TO-1 (final), column (b). The guaranteed annual cost savings must exceed the annual contractor payments (Schedule TO-1 (final), column (c)) in each year of the TO post-acceptance performance period. For the first interval (generally 12 months) after Government acceptance of construction, the contractor is paid as if the savings guarantee is being met. The annual energy audit establishes actual savings. If actual savings fall short of the guarantee, the contractor will pay back the shortfall over the next interval by accepting lower payments.

Implementation Expense - Implementation expenses are the sum of the direct and indirect costs of all tasks required to install energy conservation measures. Implementation expenses shall not include financing costs, profit or any expenses incurred during the performance period.

Implementation Period - The implementation period is the period between the date of task order (TO) award to the date that all energy conservation measures (ECMs) are operational and accepted by the Government. If additional ECMs are added to the TO by modification, the implementation period for such additional ECMs shall be from date of TO modification incorporating the additional ECMs to the date all additional ECMs are operational and accepted by the Government.

Implementation Profit - Implementation profit is applied to total direct and indirect expenses for project development and all energy conservation measures in Schedule TO-2.

Implementation Price - Implementation price submitted in Schedule TO-2 is comprised of: the sum of project development and all proposed energy conservation measures direct expenses; indirect expense applied to sum of direct expenses, and profit applied to the sum of total project direct and indirect expenses.

Indefinite Delivery/Indefinite Quantity (IDIO) Contract - A contract for property or services that does not procure or specify a firm quantity of property or services (other than a minimum and possibly a maximum quantity) and that provides for the issuance of task orders for the delivery of the property and services during the specified ordering period of the contract.

Index Rate - The index rate is the interest rate for the financing period of a specific task order (TO) project, based on the contractor's proposed applicable financial index. The added premium negotiated for a TO project is added to this figure.

Indirect Cost - Any allowable cost not directly identified with a single, final cost objective, but can be identified to two or more cost objectives or the company as a whole.

Investment Grade Audit (IGA) - A procedure which may include, but is not limited to, 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 final technical and price Proposals.

Measurement and Verification (M&V) - The process of measuring and verifying energy, water and related cost savings.

Notice of Intent to Award (NOITA/NOI) - A written notice issued by the agency to notify the contractor that the agency intends to award a task order for an energy savings performance contract project.

Post-Acceptance Performance Period - The period (typically in years) from the date a task order (TO) project is operational and accepted by the Government, to the end of the TO's contract term. The post-acceptance performance period may also be referred to herein as the service period.

Post-Acceptance Performance Period Annual (or Regular Interval) M&V - At least annually, the contractor and the Federal agency shall verify that the installed equipment/systems have been properly maintained, continue to operate correctly, and continue to have the potential to generate the predicted savings. This ensures that the M&V monitoring and reporting systems are working properly, and it allows fine-tuning of measures throughout the year based on operational feedback.

Post-Acceptance Performance Period Expenses - Direct costs (without contractor mark-ups) of all tasks required to maintain energy savings performance after Government acceptance of installed energy conservation measures shall be shown on Schedule TO-3, and shall not include any indirect costs, financing costs, profit nor any expenses incurred during the implementation period.

Post-Acceptance Performance Period Indirect Cost Applied - Includes overhead, general and administrative expenses, other indirect cost elements associated with tasks required to manage and maintain energy savings performance after Government acceptance of installed energy conservation measures. This shall not include any costs incurred during the implementation period.

Post-Acceptance Performance Period Profit – The means by which the contractor obtains profit during the post-acceptance performance period. The post-acceptance performance period profit shall not include any direct or indirect costs or financing costs. The profit amount is negotiable for task orders.

Post-Installation Measurement and Verification Activities - Post-installation measurement and verification is to ensure that the proper equipment/systems have been installed, are operating correctly and have the potential to generate the predicted savings. Verification methods may include surveys, inspections, and spot or short-term metering. Commissioning of installed equipment and systems is expected. Commissioning assures that the building systems perform interactively in accordance with the design documentation and intent. Commissioning is generally completed by the contractor. In some cases, however, it is contracted out by the Federal agency.

Preliminary Assessment (PA) - A procedure which may include, but is not limited to, an evaluation of energy cost savings and energy unit savings potential, building conditions, energy consuming equipment, and hours of use or occupancy, for the purpose of developing preliminary technical and price Proposals prior to issuance of a notice of intent to award a task order project in accordance with the master indefinite delivery/indefinite quantity contract procedures. Although a PA may include a technical concept and price assessment, it is not a binding offer and does not include the text of a financing agreement.

Project Development - Includes all work activities that occur after the agency issues a notice of intent to award task order. Work activities may include all direct costs associated with the development of an IGA, including but not limited to site visits and inspections, meetings, calculations, project costing, baselines and measurement and verification development.

Project Square Footage - Project square footage is the total square footage of a building in which ECMs are installed by a contractor, or of buildings where energy usage and sources are affected by installed ECMs. Project square footage for affected buildings shall be submitted in Schedule TO-4.

Project Interest Rate - The project interest rate is the sum of the index rate and added premium for a specific task order project.

Proposal - A proposal is a written, binding offer from a contractor that includes technical and price Proposals and the text of any financing agreement (including a lease-acquisition).

Recurring Energy-Related Cost Savings - Recurring energy-related cost savings are ongoing or annually recurring reductions in energy-related expenses that are budgeted and allocated annually, such as lowered costs for ongoing maintenance, operations and repair. These must be actual savings, i.e., there must be an associated reduction in money that the Government was currently spending or planning to spend. Operations, maintenance, and repair costs for tasks currently being performed by the Government or by a contractor hired by the Government are energy-related cost savings if the energy savings performance contract (ESPC) contractor assumes the task, reduces the task, or eliminates the task. The Government will determine whether an ESPC contractor-proposed task assumption, reduction, or elimination will be considered recurring energy-related cost savings.

Renewable Energy Credits (RECs) - also known as Tradable Renewable Certificates

(TRCs) or Green Tags™ - A market mechanism that represents the environmental benefits associated with generating electricity from renewable energy sources. Rather than functioning as a tax on pollution-causing electricity generators, as traditional carbon emissions trading programs do, RECs function as a nongovernmental subsidy on pollution-free electricity generators.

Responsible Prospective Contractor - A contractor that meets the standards in FAR 9.104. An award can only be made to contractors that are determined to be responsible.

Selection Based on Qualifications Method (SBO) – Method of selecting a task order contractor.

Selection Based on Preliminary Assessments Method (SBPA) – Method of selecting a task order contractor.

Service Period – See Post-Acceptance Performance Period.

Task Order (TO) - The obligating document that provides the details and requirements for the order of an energy savings performance contract project, placed against an established master indefinite delivery/indefinite quantity contract.

Task Order Project - The complete package of energy conservation measures (ECMs) included in a task order for a building, facility or agency. Investment and project financing is provided by the contractor to implement an ECM Project, which includes aggregation or bundling of individual ECMs, resulting in energy, water, and related cost savings to the facility.

Task Order Request for Proposal (TO RFP) - A document prepared by the ordering agency to communicate the agency’s requirements to the contractor and to solicit Proposals. The document will incorporate all agency, site, and project specific standards procedures, functional requirements, terms, and conditions (not already addressed in the master indefinite delivery/indefinite quantity contract).

Task Order Term - The term of a task order (TO) contract issued against this master indefinite delivery/indefinite quantity contract is defined as the sum of the implementation and post acceptance performance periods negotiated and identified in Schedule TO-1 (final). The maximum TO term is 25 years from TO award.

Technology Category (TC) - Energy conservation measures (ECMs) shall be categorized based on the type of system and equipment involved in the project. The TCs are indicated in Attachment J-3. The miscellaneous category shall be used for applications where the ECMs are not identified by the other categories.

Total Post-Acceptance Performance Period Expenses - The sum of all expenses incurred during the post-acceptance performance period. Total post-acceptance performance period expenses are entered in Schedule TO-3 for each year of the post-acceptance performance period.

Walk-Through Survey - A brief inspection of a facility to evaluate the potential for energy, water and related cost savings measures as well as gather information to determine the need for a more detailed audit. The findings of the walk-through survey are documented in the preliminary assessment.

White TagsTM – Also known as Energy Efficiency Certificates – Tradable attributes similar to Renewable Energy Credits or Green TagsTM that represent the value of energy not used (conserved) at facilities. White TagsTM represent the contractual right to claim the environmental and other attributes associated with electricity generated from a renewable energy facility. They may be traded independently of the energy.