Logan County Commissioners Work Session

September 14, 2021

Present: Byron Pelton, Jane Bauder, Joe McBride, Alan Samber, Ashley Smith, Kristan Lange, Diana Korbe, Debbie Unrein, Marilee Johnson, Dylan Klomhaus, Trae Miller, Terry Dowis, Chance Wright, Jeff Rice and Jennifer Crow.

Chairman Pelton called the meeting to order at 9:00 a.m.

APPROVAL OF MINUTES FROM PREVIOUS SESSION – Commissioner McBride moved to approve the minutes from September 7, 2021 as written. Commissioner Bauder seconded and the motion carried.

REVISIONS TO WORK SESSION AGENDA – There were no revisions.

REVIEW AND APPROVE DEPARTMENT OF HUMAN SERVICES SCHEDULE OF BILLS – Ashley Smith met with the Board to review the Logan County Department of Human Services schedule of bills dated September 14, 2021. The Board approved all bills as presented.

R**EVIEW AND APPROVE SCHEDULE OF COUNTY BILLS –** Kristan Lange met with the Board to review the Logan County schedule of bills dated September 14, 2021. The Board approved all bills as presented.

TRAE MILLER RE ANNEX RFP – Trae Miller met with the Board to inquire whether it is possible to schedule alternate individual meeting times for the walkthrough for the advertised RFP for the Annex project. Two walkthrough times are scheduled; however, contractors are asking for individual meetings based on scheduling conflicts. Also, one contractor has COVID in their household. The Board discussed a virtual walkthrough using zoom for the advertised meeting. The contractor can then tour the building later in person if necessary.

ANNEX PROJECT BUILDING PERMITS – Trae Miller reported that the project is not dealing with any structural changes. As long as there are no structural changes, a building permit is not needed. The project is just aesthetic changes. Electrical and plumbing permits will still be necessary.

PROJECT INSITE – Trae Miller would like to meet with the Board in executive session next Tuesday to discuss the next step. Trae will schedule a Zoom meeting with the principals. Approval of the subdivision exemption is scheduled for the September 21 business meeting. Alan will review the agreement before next Tuesday.

The meeting recessed at 9:11 a.m. and reconvened at 9:30 a.m.

COLORADO ENERGY OFFICE MANAGEMENT ENERGY PERFORMANCE CONTRACTING PROGRAM - Dylan Klomhaus, Program Engineer for the Colorado Energy Office gave a presentation on Building Efficiency, the Colorado Energy Performance Contracting Program. Mr. Klomhaus has had several discussions with Chance Wright concerning the county's selection of an Energy Services Company (ESCO) to do an audit of Logan County buildings.

The Colorado Energy Office is part of the Governor's Office. The governor has put Colorado on a path to 100% renewable energy by the year 2040.

Energy Performance Contracting (EPC) is a financing tool in Colorado. It is a statutorily enabled method for public jurisdictions to leverage utility cost savings to repay annual financing costs associated with certain types of facility upgrades. C.R.S. 29-12.5-101 (2017) Title 29 allows the county to partner with an ESCO. The ESCO is required to guarantee energy cost savings i.e. through cost weighted, average life of equipment; three years of measuring and verification; and performance assurance of utility savings. If there is a shortfall the ESCO is responsible to make up the shortfall. They either write a check to the county or do additional work at no cost to the county.

Mr. Klomhaus presented a graph showing how the EPC works. The unidentified various savings potential, (electric, gas efficiency, water, and/or operations and maintenance costs). By partnering with the ESCO, they will do a detailed audit of the facilities, and identify savings potential and recommend a project implementing various energy conservation or facility improvement measures. If they are able to frame up a project that meets the statutory requirements for being cash flow positive, paying back over the life of the equipment, guaranteed savings, It enables Logan County to go out to third party financing to pay for that work. Because it is a cash flow positive financing mechanism, it does not require going out to voter approval, it is Tabor compliant and it does not increase the debt obligation of the county. The savings the project realizes are used to pay off the financing. After the financing period, the savings belong to the county.

A similar project utilizing renewable energy can be initiated doing such things as installing rooftop solar arrays, or a solar canopy over the parking lot. The leveraged savings pay off the project and at the end of it, the county has its own solar array generating electricity for the county.

This is implemented with a public-private partnership Colorado Energy Office provides administration, engineering support, contract support, guidance tools and standardized documents. The public jurisdictions are cities, counties, school district state agencies, etc. Private sector firms are called Energy Service Companies, (ESCOs), and Financial Institutions. There are thirteen prequalified companies in the state. Companies are qualified into the program on a five-year basis. They go through a rigorous technical and financial review to make sure that they are qualified to do this type of work. The last time contractors were prequalified was 2019.

The Colorado Department of Local Affairs (DOLA) is an interagency partner. DOLA Energy Impact Assistance Program grants can be leveraged to help pay for additional work. The guaranteed savings in the program are actually qualified for the matching component of the grant. Counties enter into a performance contract can apply for the DOLA grant with the help of the ESCO. The can result in a situation where there are no upfront funds required. The next round of DOLA EIAF applications are due in February 2022. Ten and a half million dollars' worth of grant funds are available and will be awarded in amounts up to $600,000. Five million dollars' worth of renewable and clean energy project grants is available right now. They are hoping that additional funds will be allocated in the future for those types of projects.

The benefits of Energy Performance Contracting were listed as a single contract for design/engineering installation startup and monitoring and verifying. It generates positive/neutral cash flow, guarantees energy and maintenance cost savings, promotes local workforce and economic development. No-cost support is received from the CEO on engineering and contract support through the lifecycle of the project. Standardized, state approved contract documents are used by the pre-qualified ESCOs.

A five-step process begins with a non-binding MOU with the Colorado Energy Office. Next is selecting an ESCO. Next would be an investment-grade audit. The ESCO does a detailed audit of all county facilities to identify what projects could be implemented, the cost and what the utility savings could result in those improvements. If the project(s) meet the county's goals, then they execute the Energy Performance Contract and the ESCO transitions to the general contractor role.

The RFP process for selection of an ESCO can be used or it can sole-source the selection if the county's procurement processes allow.

Chance Wright already went through the RFP process using an RFP that looks very similar to one that is offered by the Colorado Energy Office. The CEO also offers resources for that selection process. If the CEO program is used, all the pre-qualified ESCOs have agreed to use the CEO's standardized IGA pricing table based on square footage and contracts. This model has been very successful and has been adopted by other states as well.

The Investment Grade Audit is typically around a six-month process. CEO recommends starting broad and looking at all facilities, using complaints about facility comfort, and looking at issues with lighting or heating and cooling systems. The IGA will have a kickoff meeting with all the stakeholders and at 30%, 60% and 90% completion points. A financing workshop and a M & V (Measuring and Verifying) workshop will be scheduled between the 60% and 90% points. The ESCO will have detailed energy calculations in their final report, and guaranteed maximum contract prices. Three outcomes are 1) no viable project, 2) identified projects and county does not move forward or 3) the county accepts the project and moves forward to an energy performance contract.

Typical measures implemented in the program are lighting upgrades, boiler replacements, pump and motor upgrades, building automation systems. Electrification measures can be community solar gardens, solar arrays, wind, hydroelectric generation, electric vehicle charging stations/zero-emission vehicles, building energy systems, (geothermal, VRF) and renewable utility rates.

Bundling all these measures together, Energy Performance Contracting allows leveraging a quick payback on things like LED lighting to help pay back more capital-intensive work like boiler replacement. The CEO has worked with 33 counties in Colorado, realizing $45 million in savings for Colorado jurisdictions.

Mr. Klomhaus gave two examples of recent projects using the EPC program. Haxtun school district selected an engineering firm who delivered lighting upgrades, HVAC control upgrades, plug load reductions and building envelope measures. Annual operating savings will be $56,000 in utility costs. The ESCO helped the district apply for $2.5 million in State Grants (DOLA and BEST).

Gunnison County implemented their first phase of project which was a 331kW solar array project and LED Lighting upgrades which will save $161,000 in utility costs. The county was awarded $500,000 in DOLA grants for the projects. Their second phase replaced heating systems with electric heat pumps.

The Board asked Mr. Klomhaus how the ESCOs are able to give a guaranteed price with the volatility in the cost of materials now. Mr. Klomhaus answered that there are two different parts where costs come in. One is the audit which is priced per square foot. Once the implementation of the project is underway, the ESCO will be doing contractor and subcontractor bids and get best price back. There is a contractor contingency built in to the bid that is drawn upon in the instance of commodity increases. If there is no need for the contingency, the contingency fund will go back to the county. It is up to the ESCO to manage their risk and present a project that they confident they can deliver at that price. Contractors are less willing to hold prices for as long as they would normally due to the price volatility. Completion dates are often built into the contracts. There have been some delays in delivery of equipment but not huge delays at this point.

Mr. Klomhaus was asked about what the CEO is looking for in electrical motors. Most of the motors purchased now are high efficiency motors. The CEO will look at replacing older motors or right-sizing motors to retrofit projects.

Chance Wright commented that the county was approached without being aware of what the State CEO has to offer. One bid was received and another company invited to bid backed out. An audit has been done by the company; however, they are not on the stated list of prequalified ESCOs.

Mr. Klomhaus explained that this firm is a recent company formed from former employees from other ESCOs. The company is interested in being prequalified; however, the state does prequalification on a five-year cycle and will not be able to prequalify them until 2023. The county can still work with this company; however it would not have the third-party engineering oversite and the state contract oversite that the state CEO provides.

The first step in working with the State CEO is the MOU which is four pages and lists the intended goals to achieve with the project. The next step is to select which of the prequalified ESCOs the county would be willing to work with. All of the ESCO's have agreed to utilize the CEO's model contracts.

ESCO prequalification criteria requires completed projects involving similar work projects, ideally projects in Colorado. Experience and staffing are looked at as well as their financial history and their bonding capacity. The agreement holds them accountable to follow all the program requirements. The measurement and verification reports are required to be reviewed by third-party engineering firms. If an ESCO outside the program was hired, either they or county would have to hire and pay a third-party engineering firm to perform that review.

Mr. Klomhaus will send the MOU to Jennifer Crow for the Board to discuss at the next meeting.

There being no further business to come before the Board, the meeting adjourned at 10:03 a.m.