

MEMORANDUM

To: East Hanover Board of Education

From: ESCO Review Committee

Date: August 12, 2015

RE: Report on Summary and Analysis of ESCO Proposals and Recommendation

The East Hanover Board of Education received three responses to its request for proposals for ESCO services. The responses were reviewed by a Review Committee consisting of Scott Rubin, Superintendent of Schools, Deborah Muscara, Business Administrator/Board Secretary, Bruce D'Amato, Director of Facilities, Greg Somjen, Bill Bannister and Josh Thompson of Parette Somjen, Board Architect, and Andrea Kahn, McManimon, Scotland & Baumann, LLC, special counsel. Proposals were received from Honeywell Business Solutions, DCO Energy, LLC ("DCO") and Johnson Controls, Inc. ("Johnson Controls"). All proposals appeared to be complete, and the Committee decided to interview all three applicants so they could clarify and further explain their proposals and answer questions that the Review Committee might have. Honeywell Business Solutions withdrew prior to interviews so the Committee decided to interview the remaining applicants. The interviews were held July 1, 2015. The Committee followed up with reference checks.

The proposals and the applicants were impressive. Each applicant addressed energy conservation measures recommended in the energy audit. The Review Committee believes each company can meet its obligations for the implementation of an energy savings program and any guaranties.

Both applicants are large companies apparently with strong financial ability, significant resources and experienced and knowledgeable representatives. DCO's financial background included its subsidiary and affiliate companies. All applicants provided a long history of experience with performance contracting in general and energy savings improvement programs in particular. Much of DCO's experience was developed as a team but with a different company, Tozour Energy Services Group. DCO clarified that some of the ESIP experience provided was as an advisor rather than an ESCO.

Johnson Controls emphasized that their team would work with the Board of Education and its team to develop an energy savings plan that would accommodate the Board's priorities and the needs of the School District while maintaining cash positive savings. The firm is 130 years old and the team that met with the Review Committee only does New Jersey energy savings improvement projects. It was clear which team member was responsible for what: relationship management, savings analysis, building, verification.

Johnson Controls was clear and comprehensive on their approach to plan development and implementation, appreciation of the educational opportunities and importance of energy reduction to help meet environmental goals and carbon reduction, a national and international goal. They explained that the RFP presented options but that the actual plan would be developed with the Board and its representatives to meet the goals and objectives of the Board and that they could be flexible in helping develop innovative solutions to meet the District's needs. Johnson Controls emphasized its capabilities for training staff to maintain the improvements, leadership, teaching students and the community, and training the Board and Board representatives in communicating the significance of energy savings to the public. This may be important in encouraging the community to appreciate the value of the program and approve it. The operations representative was very clear and knowledgeable on the challenges for implementation, including avoiding disrupting the school program and constructability.

Johnson Controls indicated that their RFP estimate was conservative so they would be able to exceed expectations. They felt it important to create realistic expectations. They provided examples for 15 and 20 year projects.

Johnson Controls fee is 29.5% of construction costs with no additional fees. All rebates and incentives will be passed through to the Board although Johnson Controls will assist in obtaining them. There is no break fee if the Board chooses not to move forward after development of the Energy Savings Plan. They will provide a not to exceed guaranteed fixed price cost, but if bids come in lower, they will pass the savings on to the Board. There was no additional fee for the guaranty other than the required maintenance fee of \$4200 to \$5,085 for that period to cover maintenance and over sight work. They are the only team with completed projects more than 2 years out since they have been doing them since 2009.

DCO was created over ten years ago as a subsidiary or affiliate of Jingoli Construction to focus on energy work. The team included team members from the former Tozour Energy Services group with a lot of ESIP experience and other team members with a lot of construction management experience. The company has a lot of construction experience. The team does not exclusively focus on energy savings construction.

DCO did not talk about the ECMs as much, relying on the written proposal. They said that they would develop the plan and did not emphasize the need for collaborative effort with the Board. In the interview they did not talk about methodology or walk through their approach to implementation, and the RFP did not comprehensibly address it. The timeline provided in the RFP did not evidence enough time for New Jersey school construction project approvals.

DCO indicated that they might not be able to undertake all the unit ventilators and windows in need of replacement unless financing interest rates come in favorably. They provided only a 20 year project financing example.

Their fee was 18% of the construction cost, but they do not offer a not to exceed cost. If bids come in high, they offer to eliminate projects and value engineer. If the cost comes in low, they would use ad alternates. They charge .61% of hard costs for the first year guaranty and an annual cost of .21% of hard costs for measurement and verification. They would retain a portion

of the first year incentive payments for their work in obtaining them. They also have no break fee.

The Committee ranked the applicants in accordance with the criteria described in the RFP. The ranking matrix is attached.

Based on the scoring described in the attached matrix and analysis described above, the Committee recommends that the Board of Education work with Johnson Controls for the development and implementation of its ESIP. If the Board approves an energy savings plan and decides to proceed with the implementation of the energy savings program, the proposed contract with Johnson controls will contain the terms and conditions set forth in the Request for the Proposals and the applicant's response. This contract will provide a guaranteed fixed price even if subcontracted work bids come in higher than anticipated.

COMPANY	COMPANY OVERVIEW & QUALIFICATIONS (20%)	APPROACH TO ESP (25%)	ABILITY TO IMPLEMENT (15%)	PROJECT COMPREHENSIBILITY & ENERGY SAVINGS PROJECTIONS (25%)	FEE (15%)	TOTAL
Johnson Controls	20	25	15	25	13	98
DCO Energy	18	23	15	22	15	93