

## MEMORANDUM

**To:** The Board of Education of the Borough of Tenafly in the County of Bergen, New Jersey

**From:** ESCO Review Committee

**Date:** February 16, 2023

**Re:** Summary Report and Analysis of Energy Service Companies (ESCO) Proposals and Recommendation

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The Board of Education of the Borough Tenafly in the County of Bergen, New Jersey (the “Board”) received two (2) responses on January 19, 2023 to its request for proposal for ESCO services (the “RFP”). The proposals were submitted by Honeywell International, Inc. (“Honeywell”) and DCO Energy, LLC (“DCO”). The responses were reviewed by a Review Committee, as defined below, consisting of: Mario Cofini (Building and Grounds Supervisor); Bill Breakfield (Assistant Building and Grounds Supervisor); Paula Newman (Board Vice-President); Jocelyn Schwarz (Board President); Edward Salaski (Board Member); Michelle Merchant (Board Member); Bruce Watson (Interim Superintendent of Schools); and Dr. Victor Anaya (School Business Administrator/Board Secretary) (collectively, the “Review Committee”). Ms. Merchant was not present for DCO’s presentation, but was present for the question/answer portion.

Both proposals appeared to be complete, and after the initial review and analysis the Review Committee decided that both proposers should be interviewed so that they could further explain their proposals and answer any questions. The interviews were held in-person on February 2, 2023. The interviews were conducted by Board’s Review Committee and each of the proposers were asked a list of previously prepared questions. Also, present during the interviews were Mr. Tony Solimine, Esq., of Wilentz, Goldman & Spitzer, P.A. (the Board’s Special Counsel), and Donna O’Gorman, of DRM Architects (the Board’s Architect).

The proposals and applicants were impressive and comprehensive. Each applicant addressed energy conservation measures recommended in the Local Energy Audit. The Review Committee believes that each company can meet its obligations for implementation of an energy savings program. Both companies have apparently strong financial abilities, significant resources and experienced and knowledgeable representatives. All provided a history of their experience.

### **DCO**

DCO’s team has extensive experience with over 75+ ESIP projects throughout the State of New Jersey. They have installed over \$525,000,000 of energy conservation measures (ECMs). DCO indicated that they have over a 50% market share in New Jersey. DCO 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, needs, and desires of the School District while maintaining positive cash-flow savings. It was clear which team member was responsible for what: relationship management; savings analysis; project management; construction management; client

services and verification. The DCO team indicated that they are currently working on projects at Ridgefield Board of Education, Lodi Board of Education, Dumont Board of Education, and Ramapo Indian Hills Regional High School District in Bergen County. Also, they discussed the 11 projects that they have completed in Bergen County, including the first ever ESIP financing in Wyckoff.

DCO was clear and comprehensive on their approach to plan development and implementation. The representatives were clear and knowledgeable on the challenges for implementation. DCO clearly outlined the stages of the proposed ESIP project. Also, they stressed there would be no disruption to the Board's core mission of education. Lastly, they spoke about their track record of implementing projects safely.

DCO addressed the ECMs that they intended to include in the ESIP. Specifically, those upgrades included district-wide interior/exterior LED lighting retrofit, district-wide energy management system, chiller replacement at the high school, boiler replacement, weatherization, various HVAC upgrades, including premium efficiency pump motors and VFDs. Additionally, DCO included a solar component (either PPA or ownership), with roofing upgrades, to match the useful life of the solar panels. It was apparent from the proposal and the interview that DCO was the most attentive to the school district's desired project. DCO also presented the most realistic project. DCO stressed that it was the Board's project and that these proposed improvements were merely suggestions. They also stressed that they could deliver the project in the proposed timeline.

Included within DCO's submission were three projects: Base Project; Alternate #1; and Alternate #2. The Base Project, of \$5,540,532, would be a fifteen (15) year financing that qualified for \$1,261,803 in incentives. The Base Project will result in a decrease of \$333,301 from the pre-ESIP baseline. This project would result in \$36,000 of positive cash flow. Alternate #1 contemplates a \$8,195,964 project with a 20-year financing, at a 4% interest rate, and qualifies for \$1,705,902 in incentives. Alternate #1 will result in a reduction of energy savings of \$381,736 from the pre-ESIP baseline. Lastly, Alternate #2 self-funds an \$11,005,093 ESIP, based on a 20-year financing at 4%. This would result in \$381,970 in annual energy and solar savings from the pre-ESIP baseline. Alternative #2 would qualify for \$2,441,848 in incentives, but includes a \$2,097,465 capital contribution from the Board.

DCO indicated that they would incorporate a Building Performance website. The website would not only provide transparency to the public, but would also help to educate the public about the benefits of the ESIP. Additionally, DCO would offer educational programs for the student. They discussed the various ways that they interact with the students and discussed that they have a team that is specifically involved with the students. They stressed that a core value was community involvement.

DCO's fee is 30.25% of construction costs (inclusive of the 5% fee for DMR per the RFP). All rebates and incentives will be passed through to the Board and DCO will assist to obtain the same. DCO discussed the Engineering Solutions rebates/incentives. There is not a break fee if the Board decides not to proceed after the Investment Grade Energy Audit. The cost of the measurement and verification, and the guarantee is \$25,000.

Lastly, DCO outlined its Community Outreach Program. They stressed that opportunities would be available to students at Tenafly. They have a segment of their company that helps to educate students on STEAM and STEM. They described curriculum that they developed in Newark and a multi-week educational program that they ran in Paterson.

## **Honeywell**

Honeywell is an international publically traded company with vast financial capabilities and resources. Honeywell has a substantial record of designing and implementing energy-related improvements throughout the country and specifically int New Jersey. In New Jersey, Honeywell indicated that they have completed 39 projects.

In its response, Honeywell included retrofitting interior and exterior LED lighting, unit ventilator replacements (5 schools), building envelope weatherization, roof replacement, building UV stratification fans, upgrades of the motors and frequency variation drives, roof top unit replacements at three (3) sites, building management system and control upgrades, chiller replacement at Tenafly High School, install high efficiency boilers, electric vehicle chargers, and add cooling to the Middle School in the 20-year project. They also discussed the installation of a solar system. They have worked on 13 solar projects state-wide. They stressed that the ECMs that they selected they thought mirrored what the district wanted. However, they stressed that the project would ultimately be the project of the school district. Honeywell indicated that they would try their best to meet the timeline outlined in the proposal, but there are supply-chain and industry delay issues.

Honeywell has an experienced team and outlined the roles and responsibilities of all of its team members. Honeywell's team also stressed the varied experiences and discussed the benefits of working in multi-states at the same time. They clearly identified the roles and responsibilities of its of its team members. They indicated that they could deliver the project on-time and to not disrupt the education.

In New Jersey, Honeywell has done over 500 performance contracts. Specifically, the provided references for Bogota Board of Education, North Hunterdon Regional School District, West Morris School District, School District of the Chathams, Hudson County and Old Bridge Board of Education.

Honeywell presented two projects: a fifteen (15) year solution and a twenty (20) year alternative. They stressed that it was a potential project, not the final project. The total project amount for the 15-year project has a base project amount of \$10,310,999. Honeywell maintained that the first year energy and operation savings would be \$487,321 from the pre-ESIP baseline. The overall positive cash-flow savings to the Board would be \$1,856,345. The 15-year solution also included a New Jersey Schools Development Authority Grant in the amount of \$3,008,600. Honeywell's 20-year solution, which they assumed an interest rate of 3.75%, would result in a base project of \$15,066,815, with a first year energy and operational savings of \$485,444 from the pre-ESIP baseline. The result of the 20-year would be a positive cash flow savings of \$1,889,620. Again, this solution included a \$4,140,800 grant from the New Jersey Schools Development Authority. They are anticipating using ROD grants, but are unsure of how the process would work.

Honeywell’s fee was 29.90% of construction costs (which includes 5% for DMR’s fee as per the RFP). The contract would be a not to exceed, so Honeywell would be responsible for any excess costs above and beyond the agreed upon costs once the project scope has been established. Honeywell presented an aggressive approach to energy savings based on their success of obtaining grants. There is a no break fee if the Board decides not proceed after the Investment Grade Energy Audit. The first year measurement/verification and guarantee is \$45,500.

Lastly, Honeywell also described the educational benefits of partnering with them and the services that they can provide to the learning community. Specifically, Honeywell described the Futureshaper Program Internship & Work Experience Program, supports career days and has STEM work experience programs. Their learning component would also be used to educate students on the technology, sustainable engineering design methodology and trades involved and provide curriculum workshops.

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

Based on the scoring described in the attached matrix and the interviews of DCO and Honeywell, the Reviewed Committee recommends that the Board of Education work with DCO for the development and implementation of its ESIP. If the Board approves an energy plan and decides to proceed with the implementation of the energy savings program, the proposed contract with DCO shall contain the terms and conditions set forth in the RFP and the applicant’s response. This contract will provide a guaranteed fixed price.

	<b>DCO</b>	<b>HONEYWELL</b>
<b>Company Overview and Qualifications (20%)</b>	20	20
<b>ESP Development and Implementation (25%)</b>	24	21
<b>Ability to Implement (15%)</b>	15	15
<b>Project Comprehensibility and Energy Savings Projections (25%)</b>	24	18
<b>Fees (15%)</b>	14	15
<b>TOTAL</b>	<b>97</b>	<b>89</b>