

OSB/SHAW PLANT CEA

Executive Summary:

This CEA and its companion contracts create a public private partnership, wherein the state will lease the Shaw Power Plant to a private party who will take over the O&M of the Plant, continue providing chilled water services to the Shaw Center and pay the state for the excess chiller capacity for third party off takers. In addition, the state will receive immediate improvements to 31 state buildings and the Shaw Center while saving almost \$3 million in operating expenses and avoiding \$14 million in capital expenditures over the 20-year life of the agreement.

Furthermore, the transaction allows the state to monetize the value of the excess chilled water capacity at the Shaw Power Plant without sharing any of the business risk involved in selling the chilled water to third party off-takers.

Significant improvements at all facilities will lead to reduced energy costs, which allow the state to fund the improvements without additional operating costs or capital outlay appropriations.

Chronology:

A Solicitation for Offers issued May 31, 2017, to determine contractor interest in the management and operation of statewide chiller facilities and in meeting energy efficiency needs at the related buildings.

Two parts of the SFO:

- a. provide upgrades and management of certain state owned/operated chiller facilities.
- b. provide energy conservation measures at the related state buildings that would make the chillers and related buildings more energy efficient and thereby produce costs savings and increase chiller capacity.

Two proposals were submitted: Bernhardt Energy and Johnson Controls

Evaluation: Neither proposal standing on its own fully satisfied the needs of the State. Rather than cancel the SFO and start over the State approached the proposers about a joint proposal to take advantage of the strengths of each proposal which, when combined, would meet the state needs.

Joint Venture Proposal submitted April 18, 2018. Proposal was reviewed, negotiated and now being submitted for JLCB approval. A team of state employees from the Office of State Buildings and the Office of General Counsel, along with an outside financial consulting firm, conducted significant due diligence to verify that the pricing and the terms and conditions of the agreements were favorable to the state.

CEA references and incorporates the following documents:

- Opt in provision
- Facility Optimization Services Agreement (FOSA)
- Thermal Services Agreement (TSA)
- Lease of Shaw Power Plant

JV Proposal:

A joint venture (JV) between Johnson Controls and Bernhard Energy (Louisiana Energy Partners) to provide enhancements/improvements to 31 state owned buildings and the Shaw center and lease the Shaw Power Plant to capture excess chilled water capacity to sell to non-state party off-takers.

1. **OSB Buildings:** JV will make certain enhancements/improvements (Energy Conservation Measures) to 31 state buildings and the Shaw Center. The State will pay the JV for the enhancements/improvements over a 20-year period with the JV financing the costs. Total payments will equal \$54.3 million. The energy savings are projected to be \$56.8 million, which would be sufficient to make the annual payments. If not, the annual payment will be reduced to keep the OSB budget neutral.

2. **Shaw Plant:** State will lease the Shaw Power Plant to the JV who will operate and maintain the Plant.

a. State will pay \$6M to the JV over the 20-year term to operate and maintain the Plant.

- Payment includes \$3M in enhancements/ improvement to the Plant

- Payment includes \$600K in energy conservation measures to the Plant and the Shaw Building that will generate \$1.9M in energy savings over the 20-year term.

b. JV will “pay” the State \$3.3M as an offset to the state’s TSA payments.

3. Net Public Benefit:

a. Estimated \$17M in avoided capital expenditures

b. \$1.7M in operational savings.