



DEPARTMENT OF THE NAVY
COMMANDER NAVY INSTALLATIONS COMMAND
716 SICARD STREET SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5140

CNICINST 4101.1A
N4
24 Apr 2018

CNIC INSTRUCTION 4101.1A

From: Commander, Navy Installations Command

Subj: STANDARDIZATION FOR MANAGEMENT OF UTILITY ENERGY SERVICE CONTRACTS AND ENERGY SAVINGS PERFORMANCE CONTRACTS

Ref: (a) OPNAVINST 4100.5E
(b) NAVFAC Business Management System B-5.1.3
(c) NAVFAC Business Management System B-5.1.4
(d) P-801 Energy Project Management Guide, Feb 17
(e) ASN Installation Energy Security Framework memo, 7 Jun 17
(f) CNICINST 4101.2
(g) DoD Instruction 4170.11 of 16 March 2016
(h) NAVFAC P602, Installation Energy Security Framework, 13 Jul 17

Encl: (1) Third-Party Financed Energy Project Development, Approval and Execution Process Guide
(2) CNIC Third-Party Financed Project Sample Approval Request Letters

1. Purpose. This instruction implements policy outlined in reference (a) and provides guidelines and procedures for the management of Utility Energy Service Contracts (UESC) and Energy Savings Performance Contracts (ESPC), noted hereafter as Third-Party Financed (TPF) projects.

2. Cancellation. CNICINST 4101.1.

3. Scope and Applicability. This instruction applies to all Commander, Navy Installations Command (CNIC) Headquarters and Regions.

4. Background. Reference (a) identifies the requirement to utilize TPF projects to meet Federal and Navy shore energy goals and mandates. TPF projects allow the Navy to finance energy resiliency and conservation efforts that improve infrastructure while preserving limited appropriated funds for other critical shore requirements.

a. Using third-party financing to meet energy requirements can present financial risk. To mitigate this risk, a greater focus on project execution, enforcement of TPF processes and clarification of approval thresholds at specific milestones will ensure sound investments. Additionally, integration of TPF requirements across all echelons of CNIC, Naval Facilities

Engineering Command (NAVFAC) and supported commands will set conditions for better business decisions and improve program performance.

b. UESC and ESPC processes are detailed in references (b) through (d) and enclosure (1). Critical elements of the processes include:

(1) Centralization and standardization of UESC and ESPC project submission, development and approval through an annual call for work.

(2) Budgeting for project development, construction oversight and sustainment costs at CNIC Headquarters.

(3) Tracking measurement and verification (M&V) progress of UESC and ESPC projects towards energy reduction by annually updating the Energy Return on Investment (eROI) tool during each project's performance period.

5. Policy. All UESC and ESPC projects funded by CNIC will be aligned with guidance in reference (e) and be approved by CNIC prior to project initiation, investment grade audit and award. Regions will provide CNIC Headquarters performance reports during the period of performance.

6. Responsibilities

a. CNIC is responsible for:

(1) Approving the UESC and ESPC integrated project list (IPL) generated from the annual call for work.

(2) Coordinating the annual call for work with Regions and compiling all project submissions into the IPL.

(3) Documenting, via memo, all approved projects.

(4) Budgeting for all UESC and ESPC upfront and startup costs in annual budget submissions and coordinating distribution of funding based on the approved IPL.

(5) Approving all requests to proceed with an investment grade audit (IGA) and Final Proposal (FP) and approval to award projects.

(6) Coordinating with Regions on requirements for budgeting financed project payments and NAVFAC post-award construction support in annual budget submissions and distributing budgeted funds to Regions for execution when controls are provided.

(7) Reviewing the progress and status of projects towards meeting shore energy goals and mandates.

(8) Coordinating program planning and execution with NAVFAC HQ.

b. Regions are responsible for coordinating, executing and managing UESC and ESPC projects to include:

(1) Developing, reviewing and submitting IPL of prioritized projects to CNIC Headquarters in the annual call for work (CFW).

(2) Ensuring projects are developed in alignment with references (a), (d), (f) through (h) and enclosure (1).

(3) Evaluating opportunities to leverage economies of scale across the Region by bundling multiple installations' requirements to improve Region-wide energy security and efficiency.

(4) Generating and submitting installation level DD 1391 developed per reference (d) along with an eROI for each project approved in the annual CFW.

(5) Coordinating project requirements with respective NAVFAC Echelons III and IV commands as required, including approval and buy-in from all tenants to cover their share of costs for the development and execution of the financed project prior to project award.

(6) Coordinating with NAVFAC counterparts to receive monthly project updates from the NAVFAC eProjects database for pre-award, construction and acceptance phases. Reports should include descriptions of the current Energy Conservation Measures (ECM) under consideration and any recent additions or deletions of ECMs in the project scope.

(7) Ensuring all financed-project planning, construction oversight and payment requirements are captured in annual budget submissions provided to CNIC HQ.

(8) Validating commitment of contract payments from all stakeholders, (e.g. budget submitting offices (BSO) and tenant commands for projects with multiple funding sources.

(9) Requesting approval from CNIC to proceed with IGA or Award. See enclosure (1) for detailed guidance and enclosure (2) for sample letter formats.

(10) Providing CNIC final project data cost and consumption savings and project financial metrics after project award.

(11) Ensuring accomplishment of M&V during the project performance period and documenting the findings by updating the eROI annually per reference (f) and coordinating with NAVFAC to verify completion of the Annual Verification Report.

(12) Validating and preparing payments to contractors and distributing funds using the TPF UT controls cost accounting code (CAC).

(13) Coordinating with NAVFAC to ensure IGA data is uploaded into MAXIMO.

(14) Notifying CNIC HQ of modifications to the contract term and payments after award.

7. Process. See enclosure (1) for detailed project approval process guidelines.

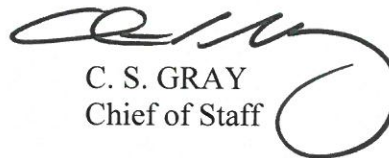
8. Administrative

a. Project eROI Excel templates and the eROI web tool are available on the CNIC G2.

b. Points of Contact are the CNIC Base Operating Support and Energy Program Division Director (N44) and the CNIC Utilities and Energy Branch Head (N441).

9. Records Management. Records created as a result of this instruction, regardless of media and format, must be managed per Secretary of the Navy Manual 5210.1 of January 2012.

10. Review and Effective Date. Per OPNAVINST 5215.17A, CNIC (N4) will review this instruction annually around the anniversary of its issuance date to ensure applicability, currency, and consistency with Federal, Department of Defense, Secretary of the Navy and Navy policy and statutory authority using OPNAV 5215/40 Review of Instruction. This instruction will be in effect for 5 years, unless revised or cancelled in the interim and will be reissued by the 5-year anniversary date if it is still required, unless it meets one of the exceptions in OPNAVINST 5215.17A, paragraph 9. Otherwise, if the instruction is no longer required, it will be processed for cancellation as soon as the need for cancellation is known following the guidance in OPNAV Manual 5215.1 of May 2016.


C. S. GRAY
Chief of Staff

Releasability and distribution:

This instruction is cleared for public release and is available electronically only via CNIC G2, <https://g2.cnic.navy.mil/CC/Documents/Forms/Directives%20Only.aspx>.

Third-Party Financed Energy Project Development, Approval and Execution Process Guide

1. **Process Overview:** This enclosure provides guidance for development, approval and execution of the Commander, Navy Installations Command (CNIC) Energy Saving Performance Contract (ESPC) and Utilities Energy Service Contract (UESC) program projects. Third-Party Financed (TPF) Energy Projects are executed by Naval Facilities Engineering Command (NAVFAC) on behalf of CNIC using the processes defined in the NAVFAC Energy Project Management Guide. Major milestones and deliverables for projects supporting CNIC requirements are:

- a. Project Initiation.
- b. Annual CNIC Call for Work and Preliminary Development.
- c. Preliminary Assessment (PA)/Utility Feasibility Study.
- d. Investment Grade Audit (IGA) and Final Proposal (FP).
- e. Award, Acceptance and measurement and verification (M&V) Reporting.

2. **Project Initiation:** Projects are initiated at the installation based on identified energy conservation measures, energy or water resilience requirements and power or water reliability needs identified through energy audits, mission assurance studies, work requests and the maintenance action plan.

3. **Annual call-for-work (CFW) and preliminary development:** Project development begins with requirements submission in the annual CNIC CFW. Projects approved through the CFW process should progress toward award in the programmed year of execution.

a. The CFW will include detailed guidance for project submission and include additional guidance for the following:

- (1) Project eROI and installation 1391.
- (2) Desired scope.
- (3) Estimated annual and total savings.
- (4) Estimated term.

(5) Estimated P&D and post award costs

b. Projects should focus on the following priorities:

(1) Mission focused infrastructure improvements.

(2) Bundling of energy resiliency and security with efficiency.

(3) Energy efficiency opportunities identified by CNIC tailored goals.

c. The narrative in the project 1391 must accurately reflect the business case supporting the project. Development of a TPF project 1391 should follow a similar process as appropriated funding projects. A well-documented TPF 1391 narrative:

(1) Defines the problem/requirement and clearly articulates the energy security objectives the project supports.

(2) States assumptions, constraints and milestones as related to energy and utility systems and technologies.

(3) Defines performance expectations and defines success, particularly M&V requirements.

(4) Defines the impact to the mission of the installation and expected impacts to mission.

(5) Specifically addresses/explains the TPF related risk considerations listed below:

(a) Utility rate - For a given commodity, provide a stable unburdened commodity rate as early as possible during project development to reduce major scope changes resulting from a change in the commodity rate. Mitigate additional risk to the government from continuous re-negotiation due to rate changes.

(b) Escalation rate - Minimize risk by using the National Institute of Science and Technology (NIST)/Energy and Environmental Research Center (EERC) developed escalation rate; all deviations must clearly demonstrate benefit to government.

(c) Energy Security – Demonstrate compliance with the Navy’s Energy security policy.

(d) Energy Conservation Measures (ECMs)/Scope - Leverage the project to develop robust scope that maximizes the quality and volume of ECMS and considers base wide solutions, increases resiliency, deep energy retrofits and mission impact.

(e) Savings Verification - Minimize long term risk through clear articulation of a M&V plan (ESPC) or a performance assurance plan UESC prior to award. Government and contractor roles must be clearly defined.

(f) Finance term - Minimize finance terms to align with life cycle expectancy of ECMs. Do not automatically eliminate higher value ECMs that meet mission critical requirements in order to reduce project term. Consider finance term risk in conjunction with interest rate market conditions to mitigate long term debt risk. Project finance terms will use 90% of the fully burdened commodity rate to calculate the payback term.

(g) eROI - eROI required is 1.0 or higher. To maximize the benefit to the Navy of projects with an eROI score substantively greater than 1.0 either reduce the payment term or increase the scope of the facilities improvements included in the project. Take care to minimize risk to projected savings during the lifecycle of the project when leveraging an eROI over 1.0 to obtain greater scope.

(h) Operations and Maintenance (O&M) cost - Minimize short term O&M cost to government through inclusion of O&M in project scope. O&M is of particular interest for highly technical ECMs.

(i) O&M post contract - Minimize long term risk to sustainment in selection of equipment, training requirements and proper documentation of maintenance requirements.

4. Preliminary Assessment (PA)/Utility Feasibility Study:

a. Once selected for execution, provide CNIC a copy of form SF-2 of reference (d) for ESPC projects and provide SF-2 or similar memorandum to file for UESC projects.

b. Provide CNIC a copy of completed form S4 for reference (d).

c. Project 1391s should reflect the project's business case using instructions within paragraph 3.c. of this enclosure.

d. The project eROI must be developed in the most current version of the eROI Excel workbook published:

(1) Finance term fields are required (Finance Term, Annual Payment, Escalation Rate and % of Payments) in order to save and submit a financed project in web eROI.

(2) Contact CNIC (N441) for information for access to the web eROI system and training materials and opportunities.

5. The following is applicable to the approval to move to IGA and FP or to award phases except as noted:

a. Formal approval of key milestones is required to proceed with the IGA since it is the first point when the government begins to incur costs.

b. Upon receipt and review of a contractor's FP, formal approval is required to award a project.

c. Project status, to include changes to financial terms and scope, will be reported at the completion of the IGA and at the completion of the FP to CNIC (N441).

d. Should the time between the PA and IGA or the IGA and the FP exceed six months, a brief summary of the project status and changes that have occurred since the last update will be reported to CNIC (N441).

e. Approval request letters will state "request for approval," provide the type of approval request (IGA and FP or Award), the type of contract and the name of the installation.

f. Request letters will follow the format provided in enclosure (2) of this instruction; IGA and FP or award letter text will include the following information:

(1) Summary of stakeholder payment sharing information.

(2) Project synopsis, including Region debt ratio after contract implementation, escalation rate, interest rate and percent of burden rate used to calculate payback terms. Describe potential conflicts with other initiatives such as smart grid, if there are no points of concern state that explicitly.

(3) Anticipated impact to NWCF utility rates, note if there are no impacts.

(4) Denote any changes to the scope and cost that occurred between the previous notification or approval request and the current request.

(5) Address impact to installation energy security (resiliency, redundancy and efficiency).

(6) The following enclosures are required for all IGA and FP or Award approval requests:

(a) Project 1391.

(b) Current eROI excel worksheet or a copy of the web tool eROI summary report (web input is mandatory for final award).

(c) Region endorsement.

(7) The request for approval to award will also include:

(a) As a reference, the approval to proceed to IGA and FP from CNIC.

(b) M&V plan selection and implementation summary to include naming the party responsible for M&V and the M&V methodology at a minimum.

(c) List of ECMs included in the final project.

(d) 1391 including business case and narrative description of all ECMs and resiliency and reliability measures.

g. CNIC approval routing process: Regions will generate the project package for requests to proceed to IGA and FP and to request to award using the following guidance:

(1) Tasker should be created as a “FOUO” “general” tasker.

(2) Include all of the required documents for the specific approval in the tasker.

(3) CNIC HQ will provide action memos and signed letters in the responses section.

(4) Include any pertinent notes regarding anomalies or time sensitive issues in the comments section.

6. Award, acceptance, M&V and reporting:

a. Upon award, enter the project as a web eROI record:

(1) To convert an existing record, check if the ESPC/UESC project is in the Energy Project List (EPL).

(2) If in the EPL, enter the project and select “Convert to Web eROI” action button from upper right hand corner of the screen. This will convert the EPL record to a Web eROI record and take the user to the Project Development module to build the project.

(3) If not in the EPL, proceed to the Project Development Module to create a new project.

- (4) Update EPL web tool to reflect project status “awarded” and update project data.
- b. Notify CNIC (N441) via email or memo for the following:
 - (1) Upon award, provide final interest rate, final escalation rate, payment terms and schedule, updated eROI and estimated energy savings.
 - (2) When input of IGA results into Maximo is complete.
 - (3) When modifications are issued to the original contract that impact finance term, payments, savings, payment percentage for CNIC or elimination of an ECM.
- c. Provide M&V data in the eROI M&V module on an annual basis.
- d. Upon completion of construction, update the EPL web tool to signal that the project is operational.
- e. Notify the CNIC (N441) Action Officer when the web eROI is updated after project acceptance to ensure data is incorporated into the appropriate TPF portfolio. This step is necessary to ensure energy savings are included in forecasted consumption profiles.
- f. Notify CNIC UT HPD of start of payments to contractor via the Region UT Region Program Director (RPD) or Region Energy Program Manager (REPM).

CNIC Third-Party Financed Project Sample Approval Request Letters

(INSTALLATION/FEC LETTERHEAD)

(SSIC)
(DATE)

From: *(Installation Commanding Officer)*
To: *(Installation's Headquarters)*
Via: *(Chain of Command)*

Subj: REQUEST FOR APPROVAL TO PROCEED TO INVESTMENT GRADE
AUDIT/ FINAL PROPOSAL ON ENERGY SAVINGS PERFORMANCE CONTRACT
FOR *[INSERT NAME OF INSTALLATION]*

Encl: (1) DD1391
(2) eROI worksheet
(3) Region endorsement
(4) Project briefs (optional)

1. Request approval to proceed to final proposal for the subject project. Enclosures (1) and (2) contain the specific details about the project scope and business case based upon the information from the Preliminary Assessment. This project has been reviewed and is acceptable to *[insert name of installation]*.
2. The project includes *[insert number]* Energy Conservation Measures (ECMs):
 - a. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - b. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - c. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - d. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - e. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - f. ECM *[Insert ECM number]* for *[insert ECM Title]*
 - g. ECM *[Insert ECM number]* for *[insert ECM Title]*
3. Summary of project resiliency and reliability measures: *[insert planned measures, anticipated impact and capability to validate improvements]*
4. Economic details of the project are currently forecasted as follows:*[PROJECT SYNOPSIS]*

Subj: REQUEST FOR APPROVAL TO PROCEED TO INVESTMENT GRADE
AUDIT/ FINAL PROPOSAL ON ENERGY SAVINGS PERFORMANCE CONTRACT
FOR *[INSERT NAME OF INSTALLATION]*

- a. eROI: *[insert eROI score]*
 - b. Sir: *[insert SIR]*
 - c. Escalation Rate: *[Insert rate or N/a]*
 - d. Interest rate:
 - e. Total installed cost: *[insert dollar amount]*
 - f. First year guaranteed annual savings: *[insert dollar amount]*
 - g. First year annual payment: *[insert dollar amount]*
 - h. Contract term: *[insert number]* years
 - i. Total cost of the project including all performance period expenses: *[insert dollar amount]*
 - j. Total guaranteed savings: *[insert dollar amount]*
 - k. Annual savings: *[insert number]* MBTUs (*[insert number]*% of consumption), *[insert number]* KGALs of water (*[insert number]*% of consumption)
 - l. Percent of Burdened Utility Rate used to calculate payback: *[insert number]*%
 - m. CNIC bill-payer percentage: *[insert percentage]*
 - n. If approved, the total annual payments for all financed projects for *[insert region name]* will be *[insert number]*% of *[insert region name]* annual utilities costs.
 - o. CNIC holds the maintenance responsibility for 100% the project facilities.
5. During the Preliminary Assessment, the following ECMs were identified by the contractor as potentially cost effective but require additional review/detail. If cost effective, *[insert installation name]* would like to include these additional ECMs into the final proposal scope.
- a. ECM *[insert ECM Title]* in the amount of *[insert estimated dollar amount]* with a potential simple payback of approximately *[insert number]* years.
 - b. ECM *[insert ECM Title]* in the amount of *[insert estimated dollar amount]* with a potential simple payback of approximately *[insert number]* years.

Subj: REQUEST FOR APPROVAL TO PROCEED TO INVESTMENT GRADE
AUDIT/ FINAL PROPOSAL ON ENERGY SAVINGS PERFORMANCE CONTRACT
FOR *[INSERT NAME OF INSTALLATION]*

6. The following ECMs were investigated by the contractor but have been excluded from the ESPC Task Order going forward:

- a. ECM *[insert ECM Title]* was excluded because *[insert reason]*
- b. ECM *[insert ECM Title]* was excluded because *[insert reason]*
- c. ECM *[insert ECM Title]* was excluded because *[insert reason]*
- d. ECM *[insert ECM Title]* was excluded because *[insert reason]*

7. Additionally, *[insert installation name]* requests that the funding currently programmed for the following projects be approved for application to this ESPC Project as an avoided costs savings. Upon award of this ESPC project, *this/these project(s)* will no longer be necessary:

- a. *[insert Program, Program Year, Project #, Title and dollar amount].*
- b. *[insert Project #, Title, Program, Program Year and dollar amount].*
- c. *[insert Project #, Title, Program, Program Year and dollar amount].*

8. *Briefly describe potential impacts to the region's NWCF rates, conflicts with other initiatives and impacts to installation resiliency, redundancy, efficiency and mission*

9. The Technical Representative and *[insert installation name]* point of contact is *[insert name]*, phone *[insert phone]*, email *[insert email]*.

I. R. PWO
By direction

(INSTALLATION/FEC LETTERHEAD)

(SSIC)
(SERIAL)
(DATE)

From: *(Installation Commanding Officer)*
To: *(Commander, Navy Installations Command / Headquarters, U. S. Marine Corps)*
Via: *(Chain of Command)*

Subj: REQUEST FOR APPROVAL TO AWARD ESPC *(Insert DOE IDIQ Contract Number)*, DELIVERY ORDER *(Insert number)* FOR *(Insert name of installation)*

Ref: (a) CNIC Approval to Proceed to IGA and FP

Encl: (1) Final DD1391
(2) eROI worksheet
(3) Region endorsement
(4) Project briefs (optional)
(5) Task Order Schedule 1 (TO-1)
(6) M&V plan

1. Request approval to award the subject energy savings performance contract. Enclosure (1) contains the specific details about the project scope and business case. This project has been reviewed and is acceptable to *(Insert name of installation)*.

2. The project includes *(Insert number)* Energy Conservation Measures (ECMs):

a. *(Insert ECM numbers and titles here – examples below:*

b. *ECM 1 for Lighting Upgrades*

c. *ECM 4 for Water Conservation*

d. *ECM 12.2 for Roof-Mounted Solar Panels)*

3. Summary of project resiliency and reliability measures: *[insert planned measures, anticipated impact and capability to validate improvements]*

24 Apr 2018

Subj: REQUEST FOR APPROVAL TO AWARD ESPC (*Insert DOE IDIQ Contract Number*), DELIVERY ORDER (*Insert number*) FOR (*Insert name of installation*)

4. Economic details of the project are as follows: *[PROJECT SYNOPSIS, * to denote change from initial approval in reference (a)]*
- a. eROI: *[insert eROI score]*
 - b. Sir : *[insert SIR]*
 - c. Escalation Rate: *[Insert rate or N/a]*
 - d. Interest Rate:
 - e. Total installed cost: *[insert dollar amount]*
 - f. First year guaranteed annual savings: *[insert dollar amount]*
 - g. First year annual payment: *[insert dollar amount]*
 - h. Contract term: *[insert number]* years
 - i. Total cost of the project including all performance period expenses: *[insert dollar amount]*
 - j. Total guaranteed savings: *[insert dollar amount]*
 - k. Annual savings: *[insert number]* MBTUs (*[insert number]*% of consumption), *[insert number]* KGALs of water (*[insert number]*% of consumption)
 - l. Percent of Burdened Utility Rate used to calculate payback: *[insert number]*%
 - m. CNIC bill-payer percentage: *[insert percentage]*
 - n. If approved, the total annual payments for all financed projects for *[insert region name]* will be *[insert number]*% of *[insert region name]* annual utilities costs.
 - o. *Confirm CNIC holds the maintenance responsibility for 100% the project facilities.*
5. *Briefly describe potential impacts to NWCF rates, conflicts with other initiatives and impacts to installation resiliency, redundancy, efficiency and mission.*
6. M&V plan selection and implementation summary to include naming the party responsible for M&V and the M&V methodology.

Subj: REQUEST FOR APPROVAL TO AWARD ESPC (*Insert DOE IDIQ Contract Number*), DELIVERY ORDER (*Insert number*) FOR (*Insert name of installation*)

7. The DON site Technical Representative and (*Insert installation Name*) point of contact is (*insert name and contact information*)

ICO