The Hawaii State Procurement Office intends to establish acceptable maximum audit costs, markups, and fees for use in all projects that result from the use of this vendor list of pre-qualified ESCOs by State and County Agencies. These will be the maximums that may be applied in any Investment Grade Energy Audit and Project Development Contract or Energy Performance Contract developed and executed under this RFP. Each responding company shall provide its proposed maximum cost for performing an Investment Grade Energy Audit as well as schedules illustrating proposed maximum project markups and fees for pre-defined categories.

ESCO audit costs, markups, and fees for individual Energy Performance Contract projects shall not exceed the maximums established in the ESCO Contract.

We request that the information contained in this section of the RFP response be treated as confidential and proprietary. The pricing and cost information will be disclosed with the client as described in this section.

6.1 Markups

Provide your company's proposed maximum allowable markups in the schedule below for each category listed on the schedule. This format is required and must be completed in its entirety.

Markups represent a percentage added to the base cost for the project (the use of margins in lieu of markups is not acceptable). Use only the categories provided. Ranges for markups are not acceptable.

Table 1

MARKUPS CATEGORY OF MARKUP	MARKUP APPLICATION	% MARKUP*
Overhead		17.5%
Profit		8.8%
Labor – Internal	Add Overhead & Profit only.	
Equipment Purchased	Add Overhead & Profit only.	
Materials Purchased	Add Overhead & Profit only.	
Subcontract Labor	Add Overhead & Profit only.	
Subcontract Material	Add Overhead & Profit only.	

(Fee's will be described as set dollar amount in final project scope)

* Does not include Table 2 fees.

Clearly describe how self-performed work will be charged (billed hourly, billed as a markup of equipment and labor costs, etc.). If self-performed work will be billed hourly, include markups proposed to be applied to the hourly rate.

If a proposal is from a joint venture partnership, include proposed maximum allowable markups in the schedule format above for each participating company.

Chevron ES has a straightforward open pricing approach to assure the State of Hawaii Program participating organization that they will receive best value through a top-performing project at a fair and reasonable price. To determine the total construction cost for a project, Chevron ES first identifies all vendor and subcontract expenditures necessary for the scope of work. Each identified expense or cost item is referred to as a *Direct Project Cost* and may be reviewed by the client prior to implementation contract approval. *Direct project costs* are determined based on best available quotes, competitive bidding, estimates and costs. Project markups (overhead and profit) are fixed and are taken on these direct project costs.

The existing purchasing policies used by the client are taken into consideration and all components that can be blended into our procurement scope are used. Where possible, Chevron Energy Solutions works with preferred vendors, suppliers, and subcontractors with whom the client has had previous successful experiences. For open

book pricing projects, as we acquire proposal and pricing information from new and preferred vendors, suppliers and subcontractors, this information is reviewed with the User Agency's Project Team before Chevron Energy Solutions awards a subcontract or purchase order. During the construction phase of a project, our project management and construction team frequently communicates information to the client with respect to Project Scope, Project Cost, Project Savings and Project Financing. In this manner the client is able to establish that project costs and quality of construction, meet their expectations. Our goal is to deliver a top-performing project at a fair price.

As a vendor independent Energy Service Company (ESCO), Chevron ES takes a unique approach by providing an objective selection of equipment and services within our projects with the client. We find in many cases that vendor specific ESCOs utilize their own equipment, products and services to add (or "hide") profit, costs, and overhead expenses, thus allowing their mark-up structure to appear lower or more competitive than Chevron's structure. The costs included here are competitive in the industry.

6.2 Fees

Provide your company's proposed maximum allowable fees in the schedule below for each category listed on the schedule. This format is required and must be completed in its entirety. Use only the categories provided. Ranges for fees are not acceptable. If a proposal is from a joint venture partnership, provide proposed maximum allowable fees in the schedule format below for each participating company.

Table 2

FEES		
CATEGORY OF FEE	*HOW DETERMINED AND USED*	*YEARS APPLIED (One-time, Annual, etc.)*
Technical Energy Audit and Project Development	$ 0.12 per Square Foot (Maximum)	One time
Solicit & Evaluate Project Financing Proposals	Included in IGA & Project Development fee	No charge
Design	8% of total construction cost (Maximum)	One-time
Contingency	6% of total construction cost (Maximum)	One-time (returned if unused)
Permits	Actual cost – no markup	One-time
Performance Bond	Actual cost – no markup	One-time
Project Management	8% of total construction cost	One-time
Commissioning	1% of total construction cost (Maximum)	One-time
Training	1% of total construction cost on installed measures (Maximum)	One-time
Monitoring and Verification	Per Project M&V plan	One-time
Warranty Service	2% of total construction cost (Maximum)	One-time
Maintenance on Installed Measures	Per project maintenance plan	Annual if required

Provide the proposed maximum fee for Investment Grade Energy Audit and Project Development projects on a cost per square foot basis. The company agrees that the proposed maximum fees shall incorporate its responsibility to adhere to and complete the full scope of work as presented in the Investment Grade Energy Audit and Energy Performance Contracts.

For each fee category listed on the schedule describe how that fee is determined, how the fee is charged to the project and when it is applied. For example, fees might be based on a percentage of project cost. Markups on fees are not allowable under this RFP.

Project fees are based on total construction cost and are fixed at time of construction contract implementation.

The annual fee for services provided on an ongoing basis such as ongoing monitoring, verification, EMS re-commissioning, additional training and other optional support services, can be provided based on the individual needs of each client. The support services and energy guarantee term can vary from one year to the end of the program term. Typical ongoing M&V costs run in the .005 to 1% of the retrofit project cost annually. This depends greatly on the type of M&V strategy incorporated into the project scope.

Support services costs are recovered through the annual guaranteed savings amount. Chevron Energy Solutions does not require any maintenance contracts or service agreements, however such services are available to the client through a variety of providers and recommendations will be provided upon request.

Chevron Energy Solutions also offers a range performance guarantees such as fixed construction budgets, preset construction timelines, predetermined technical performance of equipment and systems, and energy and operating cost savings. The use of performance guarantees minimizes the client's exposure to risk. One time costs associated with performance guarantees and equipment warrantees are estimated as part of the construction budget.

6.3 Contingency

Describe your company's typical level of contingency budget for lighting, electrical, mechanical, controls projects, and other projects and how it proposes to apply contingency to cover changes in work scope and subcontractor change orders. Note that all unused contingency funds will revert to the Facility Owner or be applied to additional work scope through a change order approved by the Facility Owner.

Contingency is typically in the 5-10% range of direct project costs.

A project Contingency fund will be established. Markups for the contingency fund will be applied at the same markup rates of the overall project described herein.

6.4 Equipment/Labor Cost Competition

Describe your company's process to solicit bids on equipment/labor or to ensure price/cost competition and the best value for the Facility Owner.

Chevron ES uses an extensive pre-qualification process to select subcontractors and suppliers for our projects. Our pre-qualification process is based on Chevron ES' significant experience identifying subcontractor's qualities, which assure optimal contract completion. This assures quality performance, service, and products from the contractors and suppliers we use. Oftentimes local subcontractors with outstanding track records are used to implement projects.

The local economy wins because Chevron ES consistently uses local contractors for the renovations and construction.

This creates a win-win situation for everybody. The customer wins because their facility receives significant capital improvements paid for by guaranteed energy savings and operational savings. The local economy wins because Chevron ES consistently uses local contractors for the renovations and construction. The environment benefits because there are fewer emissions from more efficient equipment. Chevron ES wins because we gain additional business.

Once the Chevron ES Operations Team has audited the facilities, a list of qualified subcontractors will be put together in conjunction with the Facility Owner. Contractors and suppliers selected in the pre-qualification process competitively bid that portion of the project for which they are selected. Additionally, Chevron ES has extensive experience managing a competitive bid process for our customers. In this way, costs are kept as low as possible and we have the opportunity to evaluate their probable quality of performance.

The only time non-competitive selection of subcontractors or suppliers will be proposed is when timing is critical, a particular supplier is desired to match an existing system, when a supplier has a proprietary feature that is compelling or if the Facility Owner requests that a particular subcontractor be used based on a history of

successful service and value. Those situations will be discussed with the Facility Owner and approval will be obtained prior to contract award.

Equipment Selection

Chevron ES has an incentive to procure and engineer the most energy efficient equipment possible so that the maximum amount of savings can be secured to increase the number of projects that can be developed under the performance contract. In addition to this incentive, Chevron ES has been implementing performance contracts since 1981 and has developed a database history of energy saving equipment. This database contains costs and savings information for the equipment that we have installed over the years. Our customers benefit form this information in the form of time tested costing and accurate savings estimates for specific equipment proposed for the energy savings program.

When recommending equipment, it is also important to consider criteria other than cost. Equipment performance, maintenance issues and manufacturer support are all important factors when considering the installation of equipment. Of utmost importance are the energy savings value and the assurance that the particular piece of equipment is the right solution for the application. Chevron ES works in concert with each customer to select vendors and equipment that are going to meet the needs of the facility.

Some of the unexpected benefits of installing newer more energy efficient equipment is that it may reduce maintenance and operational expenditures. For example, new energy efficient light bulbs and ballasts last longer thereby reducing labor and replacement cost. New HVAC compressors with five-year warranties replacing older compressors require less maintenance expense. Operational and maintenance savings can be theoretical unless they are supported by documentation and justified. Our performance contracting will typically be self-supportive and completely financed through energy savings measured at the meter.

We do not have a list of preferred suppliers, equipment or material. Our philosophy is to recommend the most cost effective and appropriate selection of products, suppliers and contractors for the immediate project. By not being tied to a single supplier or manufacturer, after analyzing the current system sometimes the best approach for meeting the client's long-term facility requirements means utilizing equipment already in place without the added expense of having to replace it. We have installed central chiller loops, co-generation systems, replaced HVAC split systems, boilers, domestic hot water heaters and thermal storage systems. Our audit will include a comprehensive list of all of the identified site energy conservation measures for selection and approval by the client.

Chevron ES is also an Energy Star Partner and has access to data on thousands of pieces of equipment and appliances that are energy efficient.

Since Chevron ES is guaranteeing the savings resulting from the installation of the energy conservation measures (ECMs) it is imperative that only superior equipment be installed in a high quality fashion. If selected, Chevron ES will request input from the customer and develop a list of quality local sub-contractor and equipment vendors. The design drawings and specifications will be issued to the sub-contractors and bids will be received for the installation of the ECMs. When selecting the eventual sub-contractor or equipment vendor, Chevron ES will not necessarily take the lowest price, but will focus on the best value for the Facility Owner.

If there is a particular manufacturer of equipment or sub-contractor that the customer would prefer, Chevron ES can accommodate. Utilizing the considerable buying power that Chevron ES has amassed, equipment can be directly purchased saving the customer the sub-contractor mark-ups. The knowledge of installation costs that Chevron ES (primarily through legacy companies Viron (est. 1974) and Energy Masters International (est. 1974) has accumulated through implementing hundreds of projects for nearly 30 years is used to assure best value for the money when directly negotiating equipment and sub-contract costs.

A Chevron ES construction manager will oversee the procurement of subcontractors and equipment/materials.

6.5 Open Book Pricing

Open book pricing is full disclosure by the contractor to the Facility Owner of all costs and markups for materials, labor, and services received during the project development, implementation, and performance period phases. Open book pricing will be required such that all costs, including all costs of subcontractors and vendors, are fully disclosed. Describe your company's approach to open book pricing and its method for maintaining cost accounting records on authorized work performed under actual costs for labor and material, or other basis requiring accounting records.

Many of our projects are performed using some type of open book pricing approach. In a *Time and Materials* approach, the Facility Owner shares the risk of M&L cost overruns and agrees to commit more time and effort than would be necessary in a lump sum contract. The Chevron ES approach provides the Facility Owner the advantage of a complete accounting of project and construction expenditures while at the same time offering the greatest potential for brining costs in under budget. At time of project implementation:

- The maximum implementation cost is established,
- Vendor and subcontractor budgets are set, and
- Fees are fixed.

As the project progresses, all costs of vendors and subcontractors are fully disclosed. At project completion, unused vendor and subcontractor budget and project contingency are credited back to the Facility Owner. All vendor and subcontractor records are maintained in Chevron ES project files and are available for open-book disclosure.

Chevron ES is a design/build engineering firm and performance contracting is our only business. Chevron ES has no business relationships that would provide additional sources of revenue such as, financing, equipment acquisition, equipment manufacture, etc.