



Farmington Hills Energy Performance Contract

Case Study

Project Snapshot

The City of Farmington Hills entered into a \$1.6 million performance contract with an estimated payback of 12 years with Chevron Energy Solutions in 2009. The resulting efficiency upgrades and conservation measures have saved the City over \$120,000 per year and improved occupant comfort.

Timeline and Implementation Process

- **Spring 2008** – Mayor appoints a Green Efforts Committee to identify opportunities to save money. The Committee reviews a preliminary energy audit conducted through the Rebuild Michigan program and identifies performance contracting as a strategy to make larger and more systematic upgrades.
- **Fall 2008** – Farmington Hills issues an RFP for a performance contract.
- **Winter 2009** – After multiple interviews with six potential vendors and a thorough vetting of the proposals, City selects Chevron Energy Solutions for the contract. Chevron was selected in part because the City was looking for a company that wasn't tied to its own products and had more independence to recommend the best products on the market.
- **Spring 2009** – Chevron Energy Solutions prepares a comprehensive audit of 16 buildings and menu of potential projects totaling \$2.8 million.
- **Fall 2009** – After vetting projects with engineers, department heads, and building managers, City selects \$1.6 million package of projects for seven buildings (Costick Center, Division of Public Works, Fire Headquarters, Fire Station #3/ Jon Grant Community Center, Ice Arena, Parks and Golf Maintenance Building, and the Police Station). The package includes building automation systems, lighting upgrades such as occupancy sensors and switching from T12 to T8 bulbs, efficient HVAC equipment, and a power factor correction for the ice arena. The selected projects include measures with a short payback period (such as lighting upgrades) and equipment with a longer payback period that needed replacement.

Funding

Funding for the \$1.6 million contract was borrowed from the City's capital fund. Because interest rates were low, the City wanted to use the fund balance to invest in efficiency to hedge the City against higher energy costs down the road.



Farmington Hills, MI
Population: 79,740
Governance: Council-Manager

What is an energy performance contract?

A performance contract is a partnership with an energy services company (ESCO) to save energy. The ESCO audits the partner's facilities to identify opportunities to save energy and then puts together a package of energy savings projects. The ESCO guarantees that the energy savings projects will create enough cost savings to pay for the cost of the projects for the term of the contract.

Michigan has laws authorizing performance contracting for a variety of governmental actors including Cities ([§117.5f](#)), Counties ([§46.11c](#)), Townships ([§41.75b](#)), and Villages ([§68.36](#) and [§78.24b](#)).

Results

- Last year, Farmington Hills saved at least \$120,000 in energy costs and realized additional savings from reduced operations and maintenance demands. The savings exceeded Chevron Energy Solutions' estimated \$113,000 savings per year.
- City personnel and building occupants are happy with the improvements, especially with lighting upgrades. For instance, the lighting upgrade in the DPW garage is really popular. High Pressure Sodium lights, which produce an orange glow, were replaced with high-bay T8 fluorescents. This change not only reduced energy use, but dramatically improved light output and the quality of light available to the DPW garage area.
- Some savings from the contract go into an energy fund to cover further energy saving projects. The city has used energy fund money for matching State grants to fund an LED lighting project and smaller one-off projects, such as their employee engagement program "Caught Green Handed."

Advice for Communities Considering a Similar Project

- **Use a thorough RFP process** – The sales staff is there to sell their services, so make sure you fully understand what you're buying and see through the sales pitches. An RFP approach allows you to hear from multiple vendors and vet their products and services. Talk upfront about continuity with the sales team and implementation team before engaging in the contract.
- **Review the contract thoroughly** – Make sure to understand the contract and its stipulations before signing. For instance, when looking at savings from adjusting building controls, check the settings used to calculate the savings to ensure those settings are reasonable for staff comfort.
- **Involve staff early** – Early involvement from staff building managers is essential, especially when multiple buildings are involved in the contract. Those on the ground know what's going to make a project successful.
- **Maintain continuity** – Having one responsive construction manager throughout the project ensured coordination and continuity.
- **Ask yourself if the city could do it more cost effectively on its own** – When less staff time is available, especially in a smaller community with less internal expertise, working with an ESCO may be more advantageous. A larger community with more internal expertise may have the capacity to assemble the specifications and bid out the projects on its own.
- **Consider the benefits of a performance guarantee** – Having a performance guarantee can help ensure that the project has a certain level of success. When a project in Farmington Hills was not performing well, for instance, the ESCO made an upgrade at no extra cost. This is a benefit to working with an ESCO over handling improvements internally.

Additional Information

- A copy of Farmington Hills' RFP are available at MichEEN.org under the Michigan Green Communities Group.
- Visit SustainableFH.com or contact Nate Geinzer at 248-871-2500 or NGeinzer@fhgov.com



Michigan Green Communities is a network of local government and university staff in the state of Michigan that collaborate with one another, through peer learning and information sharing, to promote innovative solutions and move sustainability initiatives forward at the local, regional, and state level.

For questions or information, visit greenchallenge.mml.org or contact Laura Matson (lmatson@a2gov.org).