

July 17, 2023

Karen Ellis & Chip Woods
Performance Services Inc.
801 E. Old Settlers Blvd., Suite 100
Round Rock, Texas 78664

Subject: Letter of Intent/Investment Grade Audit

Dear Karen and Chip,

We are encouraged by the preliminary indications regarding opportunities for improving our water metering system and utility infrastructure. The City of Blanco recognizes this Advanced Metering Infrastructure (AMI) program will result in increased water revenue and lower operational costs, which will provide our City with a more effective use of our resources. The City of Blanco also understands these increased revenues and savings will finance the AMI project costs over a period of no more than 20 years when compared to current revenues and expenses, and that this performance must be guaranteed per Texas Local Government Code §302.

Based on our understanding of the time investment required to completely evaluate this opportunity, we are providing this letter to indicate our intent to award Performance Services Inc. a contract for the upgrade of the water metering system and other agreed upon renovations within 90 days of the completion of their Investment Grade Audit (IGA).

The IGA will assess, but is not limited to:

- Existing water meter accuracy
- Guaranteed performance from new meters and AMI system with utility billing integration
- Existing water leakage through distribution and infrastructure
- Miscellaneous Energy Conservation Measure improvements (Lighting, Solar, HVAC, etc...)
- Best value manufacturer and technology comparison

The objective of the IGA is to:

- Identify areas to reduce energy consumption and increase revenue by retrofitting or replacing water metering equipment
- Improve operational procedures and capabilities within the City
- Eliminate and/or reduce future capital expenditures
- Provide a financial guarantee for the City of Blanco in compliance with Texas Local Government Code §302

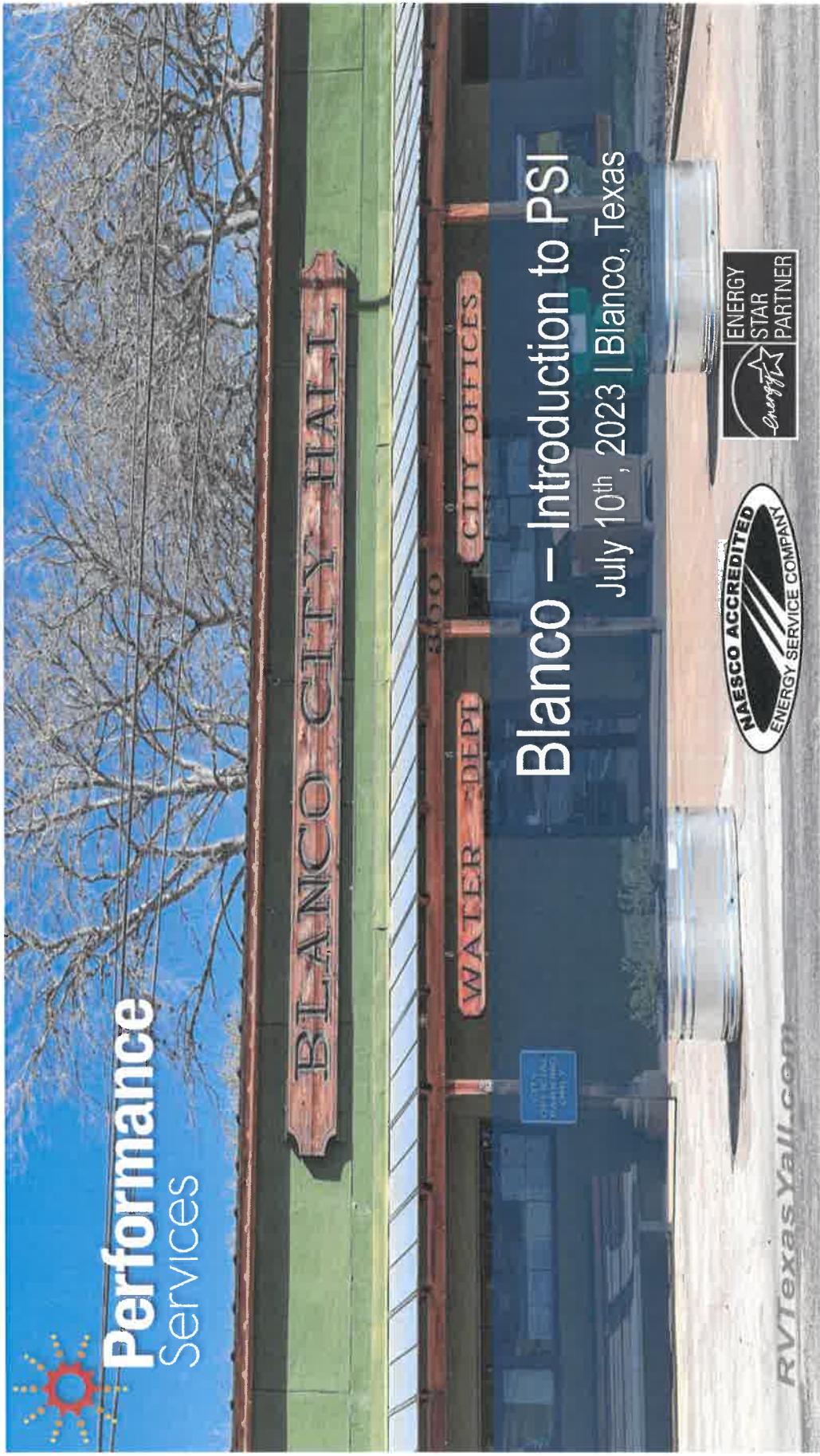
During the Investment Grade Audit, Performance Services may identify additional efficiency or capital improvement opportunities that may or may not be included in the final scope of work, upon being agreed upon by both parties. Following completion of the IGA and submission of a Project Proposal from PSI which meets the Project Objectives, the City of Blanco agrees to enter into an installation Contract

for PSI to provide the City of Blanco with design, equipment procurement & installation, construction management, a savings guarantee, and measurement & verification services.

If the City of Blanco decides not to proceed with this program even though guaranteed annual water revenue increases and operational savings will exceed the AMI project costs, we agree to pay \$43,800 to Performance Services Inc., which is their anticipated 3rd party meter bench testing, design and other costs associated with developing the Investment Grade Audit not due until the first day of the 2024-25 budget year.

Sincerely,

Warren Escovy, City Manager
City of Blanco, Texas



 **Performance**
Services

Blanco – Introduction to PSI

July 10th, 2023 | Blanco, Texas



RVTexasYall.com

Performance Services, Inc.



- ✓ Established in 1998
- ✓ **Guaranteed** Energy Savings Contracts and Design-Build Public Sector Projects
- ✓ 600+ projects completed
- ✓ \$2.5+ billion in project value
- ✓ Financially secure company w/ bonding capacity of \$500M
- ✓ 134 Energy Star® certified buildings
- ✓ **56%** Customers have done repeat business
- ✓ 260 Employees

Project Objectives

Reduce Water
Loss

Introduce
O&M
Efficiencies

Increase
Accuracy &
Transparency

Address
Infrastructure
Challenges

Distribution
Monitoring

Texas Legislation Government Code-Chapter 302

CHAPTER 302. ENERGY SAVINGS PERFORMANCE CONTRACTS FOR LOCAL GOVERNMENTS

Sec. 302.001. DEFINITIONS. In this chapter:

(1) "Baseline" means a calculation or set of calculations in an energy savings performance contract that:

(A) may be based on:

- (i) historical costs, revenues, accuracy, or related components; or
- (ii) services anticipated costs; and

(B) may be used for determining:

- (i) the costs for energy or water usage and related net operating costs;
- (ii) the billable revenues from providing energy, water, or other utilities to users; or
- (iii) the efficiency or accuracy of metering or related equipment, systems, or processes or procedures.

(2) "Energy or water conservation or usage measures" means:

(A) the installation or implementation of any of the items, equipment, modifications, alterations, improvements, systems, and other measures described by Subdivision (4) that are intended to provide:

- (i) estimated energy savings;
- (ii) an estimated increase in billable revenues; or
- (iii) an estimated increase in meter accuracy; or

(B) the training for, or services related to, the operation of the items, equipment, modifications, alterations, improvements, systems, or other measures described by Paragraph (A).

(3) "Energy savings" means an estimated reduction in net fuel costs, energy costs, water costs, stormwater fees, or other utility costs, or related net operating costs, including costs for anticipated equipment replacement and repair, from or as compared to an established baseline of those costs. The term does not include an estimated reduction due to a decrease in energy rates that is not derived from increased conservation or reduced usage.

(4) "Energy savings performance contract" means a contract with a provider for energy or water conservation or usage measures in which the estimated energy savings, utility cost savings, increase in billable revenues, or increase in meter accuracy resulting from the measures is subject to guarantee to offset the cost of the energy or water conservation or usage measures over a

Leveraging the local legislation to help Cities, Municipalities, and Utilities realize and monetize future savings today.



Title 9, Local Government Code

§302



Contract #170103

Performance Services
Recent Texas References



DAYTON TEXAS





City of Beeville

Advanced Metering Infrastructure Project

\$19,783,210
TOTAL CONTRACT

5,192
WATER METERS

\$9.7 M
SAVINGS / 20
YEARS

- Self-funded project with positive cash flow from day 1
- Phase I - 5,192 commercial and residential water meters with new smart meters
- Connected to **AMI network** (an RF communication network that interfaces seamlessly with Beeville's existing utility billing system)
- Phase II included a WWTP Rehabilitation Project
- The project also includes improvements to critical City infrastructure:
 - New LED lighting
 - HVAC replacements
 - Building controls
 - Power conditioning



"My experience with Performance Services has been exceptional. I have been kept informed of the progress and the schedule for the upcoming work that is to be performed at our city facilities. Additionally, if I have had questions, they are easily reachable and prompt in following back up with me."

- John Benson, City Manager



City of Jacksonville

Advanced Metering Infrastructure Project

\$5,646,909
TOTAL CONTRACT

5,452
WATER METERS

\$14,038,709
SAVINGS / 20
YEARS

- Self-funded project with positive cash flow from day 1
- Replacement of 5,452 commercial and residential water meters with new smart meters
- Connected to **AMI** which uses a powerful, long-range radio system to transmit water data
- Added remote disconnect meter solution



"The Performance Services team was outstanding to work with from the initial conversation and throughout the project. They kept all of their promises and I highly recommend them for your water meter project."

- Greg Smith, City Manager



TEXAS
MUNICIPAL LEAGUE
109TH ANNUAL
CONFERENCE AND EXHIBITION



CITY OF JACKSONVILLE
2021 Excellence Award Winner
Public Works Projects for Cities under 25,000



RECAP – WHY PSI



Our #1 Focus
Customer
Satisfaction



Guaranteed
Performance



Prof. Engineer
developed
solutions



No Upfront Cost
No Budget Dollars
Needed



In House Marketing
For
Customer Outreach



Sustainable/long-
term solutions



Increase Revenue
Improve Operational
Capabilities



Single-source
accountability
No Change Orders

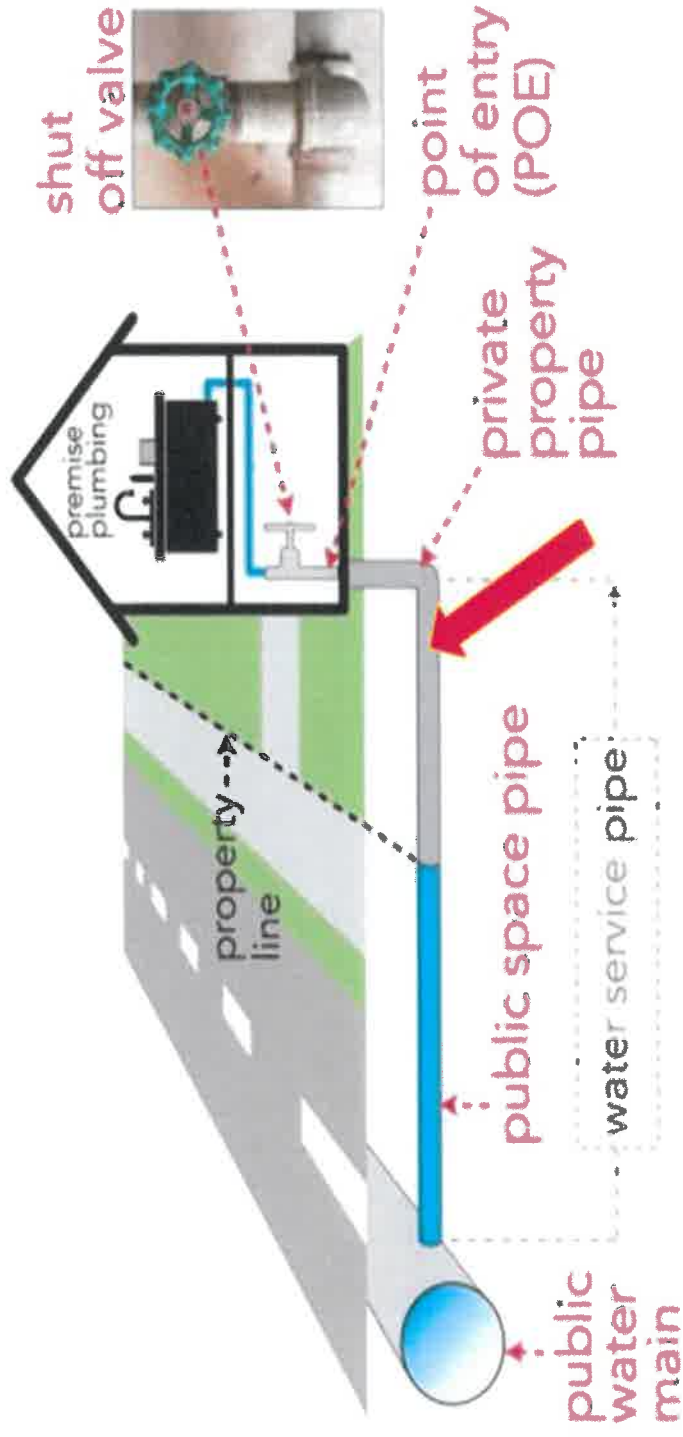
Example of Preliminary Cash Flow

- Est. Water & Sewer Revenue 22/23 = **\$1.5M**
- Anticipated water accuracy recovered = **8%**
 - *Legislation allows for calculating today's savings pushed out 20 years*
 - *We only recommend 15 years for AMI projects*
- How this calculates out...
 - **\$1,500,000 x 8% = \$120,000** annually or
 - **\$120,000 x 15 years = \$1,800,000** in potential added revenue toward an ESPC project



EPA Regulations: Lead and Copper Rule Revision

Where are these service lines?



Project Benefits- Financial & Operational

- Zero Upfront Costs
- Guaranteed Financial Results
- Deferred Payments for up to 12-36 months (contingent upon financing mechanism)
- Non-Appropriation of Funds = ZERO impact on bond status & debt rating
- 21st Century Utility Capabilities
- Remote Shut-Offs & Reactivations
- Real-time Data
- IoT Scalable Infrastructure
- Increased Water Revenues
- Decreased Energy Consumption
- Improved Operational Capabilities

Strength in Numbers



Texas PSI Engineering Group



Texas PSI Project Management Group



Measurement & Verification Team



The PSI Process

Four Stages of Energy Savings Performance Contracting

Preliminary Utility Audit

- Identify Existing Conditions
- Establish EUIs
- Preliminary UCRM
- Preliminary Project Economics

✓ Engineering

Investment Grade Audit

- Define Existing Conditions
- Establish Utility Baselines
- UCRM List
- Final Pricing
- Project Economics
- M&V Plan

✓ Engineering
✓ AMI Partners
✓ M&V Team
✓ Construction

Implementation

- Subcontracting
- Project Schedule
- Project Management
- Closeout & Commissioning
- Training
- Begin M&V

✓ Construction
✓ Sub-contractors
✓ Engineering
✓ M&V Team

M&V / Energy Leadership

- Monitoring
- Measurement and Verification
- M&V Reporting
- Energy Manager
- Blanco Staff Training

✓ M&V Team
✓ Engineering
✓ Energy Leadership





Performance
Services

BLANCO CITY HALL

300

WATER DEPT

CITY OFFICES

Thank You Blanco!

BLANCO CITY TEXAS

RVTexasYall.com

