



# CampusEnergy2021

BRIDGE TO THE FUTURE

Feb. 16-18 | CONNECTING VIRTUALLY

WORKSHOPS | Thermal Distribution: March 2 | Microgrid: March 16

# Perspectives on P3 from years of advisory experience on both sides of the fence

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# Agenda

- Background
- What is P3?
- Drivers
- Pros and Cons
- Overview of recent deals
- Uncertainties
- Negotiating the deal
- Advice for institutions
- Advice for private players

# Background

FVB brings a unique perspective from extensive district energy P3 experience on “both sides of the fence”

- Canadian government Energy Service Acquisition Project
- Dartmouth University
- Lakeview Community Partners
- Engineering partner for private sector in P3 procurements
- Due diligence consultant for
  - District energy asset sellers (both owners and lenders)
  - District energy asset buyers

# What is P3?

- Private sector helps deliver “public” sector projects, services & infrastructure
- Wide range of deal structures

	Design	Construct	Finance & Own	Operate	Maintain
Design-Build (DB)					
Operate-Maintain (OM)					
Design-Build-Operate-Maintain (DBOM)					
Design-Build-Operate-Maintain-Transfer (DBOMT)					
Design-Build-Own-Operate-Transfer (DBOOT)					
Design-Build-Own-Operate-Maintain (DBOOM)					

## Legend

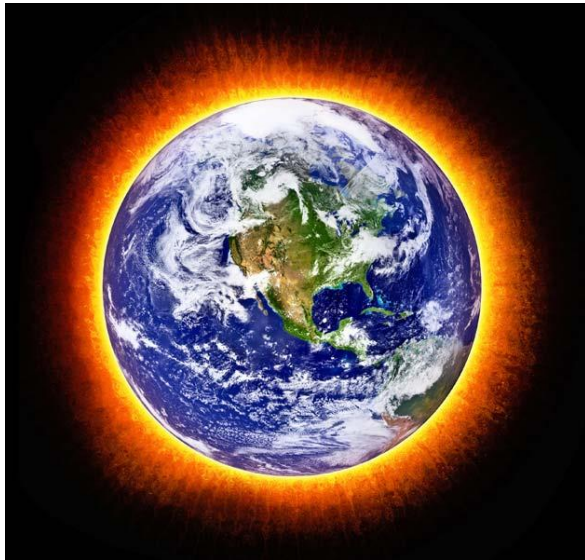
Private	
Public or other institution	
Private initially with later transfer to public	

# Drivers

Stressed budgets



Aging infrastructure



Climate change



Resiliency

New industry players



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# Why P3?

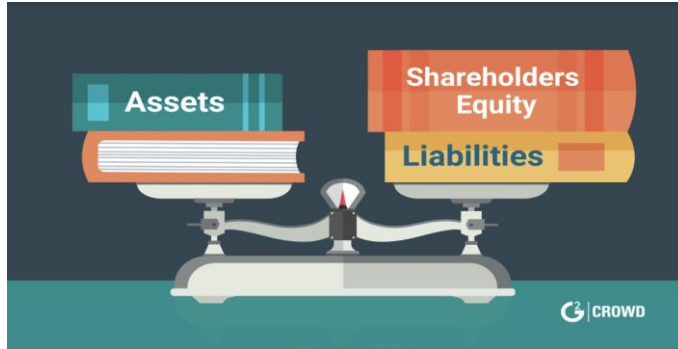
Potential benefits, depending on deal structure & circumstances of each party

- Risk transfer
- Monetization of campus utility assets
- Increased cost certainty
- Increased schedule certainty and acceleration



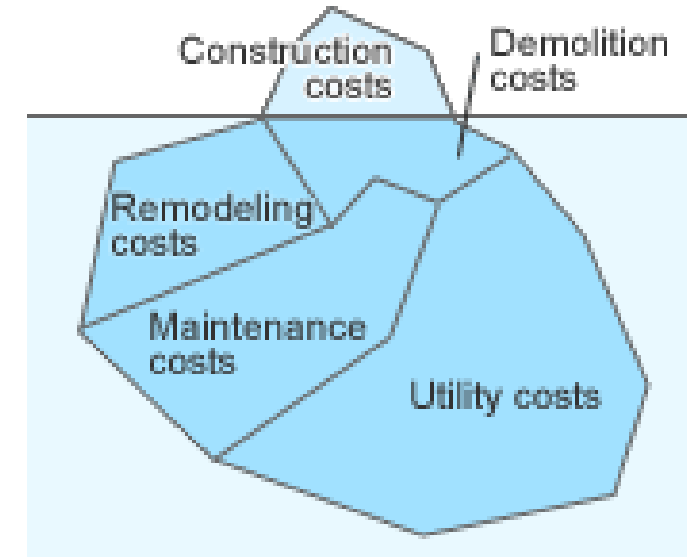
# Why P3?

- Lifecycle cost savings, supported by incentives & penalties for performance
- Access to capital including off-balance-sheet \$



- Competition between bidders leading to lower costs and enhanced risk transfer
- Access to expertise to facilitate long-term innovation & GHG reductions

## ■ The iceberg of lifecycle costs





# Why Not P3?



Complex



Time-consuming

Significant cost to develop, analyze, procure, and monitor

May not provide best value for institution's needs



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# Overview of recent P3 deals

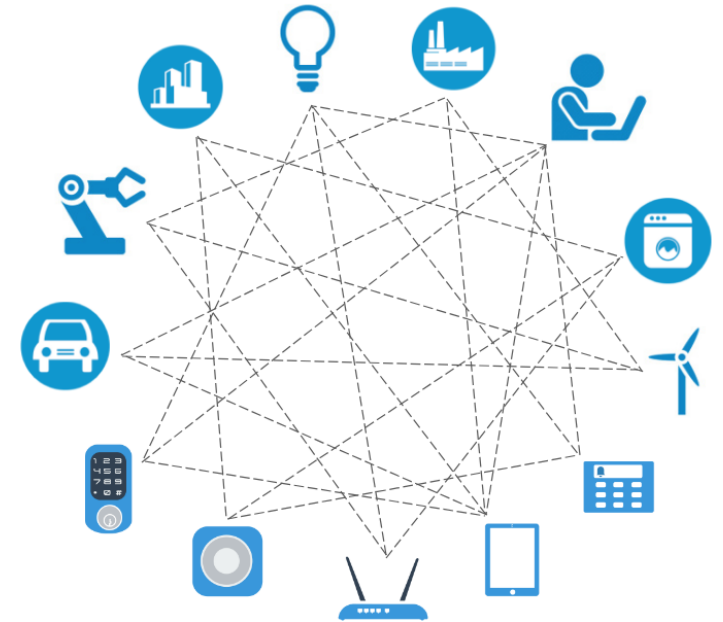
Institution	Status	Key Aspects	Partner
University of Idaho	Closed	50-year concession; similar to OSU & UI deals; up-front payment of \$225 million.	Sacyr/Plenary
U of Iowa	Closed	50-year concession; similar to OSU deal; up-front payment netting ~ \$1 billion.	ENGIE/Meridiam
Ohio State University	Closed	50-year concession; 50-year lease of land & facilities; up-front payment of \$1 billion plus \$150 million commitment to support academics; OSU has right to review & approve proposed capital projects; partner will fund & implement ECMs; fixed fee, operating fee & variable fee.	ENGIE/Axium
ESAP	Closed	35-year agreement for renewal and O&M of district energy systems serving multiple federal building complexes, including steam to hot water conversion of buildings and distribution systems. \$500 million of construction costs over the first 5 years and initial five years of the agreement and \$2.6 million in energy services during term of agreement.	ENGIE consortium
Duquesne University	Closed	40-year energy services agreement; partner purchased U plant & will use excess capacity to serve other customers; \$100 million upfront payment.	Clearway
Syracuse University	Closed	Renewal and O&M of steam plant.	Enwave
National Western Center	Closed	Construction and long-term O&M of new energy systems for redevelopment area; 40-year agreement; phases 1-2 being constructed but phases 3-8 are on hold.	Enwave/AECOM/Saunders
MATEP	Closed	Acquisition of DES serving six medical institutions; 33-year agreement for O&M, commodity procurement & asset management.	ENGIE/Axium
University of N. Dakota	Closed	40-year agreement for plant construction and O&M.	Johnson Controls
University of Oklahoma	Closed	40-year utility services agreement for energy, water & wastewater systems.	Corix
Simon Fraser University	Closed	Long-term energy supply agreement with exit options; Corix built, owns and operates a shared energy centre for UniverCity (full service) and SFU campus (baseload green energy only); SFU retains ownership and operation of campus distribution and existing gas-fired boiler plant (peaking and back-up).	Corix

# Uncertainties as long-term trends unfold

Changing climate



Higher electric & cooling demands  
due to increased digital infrastructure



Technology improvements

Pandemic impacts



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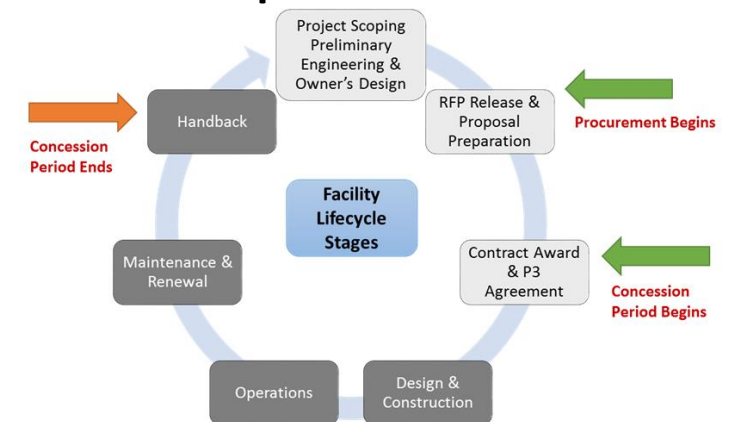
# Negotiating the deal

- Ensure that the partners have a close alignment of needs, capabilities, and corporate values
- Approach as a true partnership
- Make sure risk transfers are clearly articulated
- Build in flexibility
- Establish clear requirements for results
- Set a clear dispute escalation staircase

# Advice for institutions

## Know what you want

- What are your priorities?
- What technical solutions do you want the partner to implement?
- Have you done enough homework?
- What are the implications of near-term infrastructure replacement on future flexibility?
- How do you want to structure the agreement?
- Do you have stakeholder support?

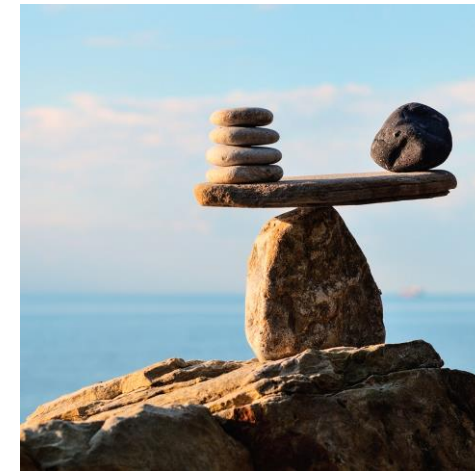


Light Gray indicates Agency's responsibilities  
Dark Gray indicates P3 partner's responsibilities

# Advice for institutions

If you don't fully know what you want

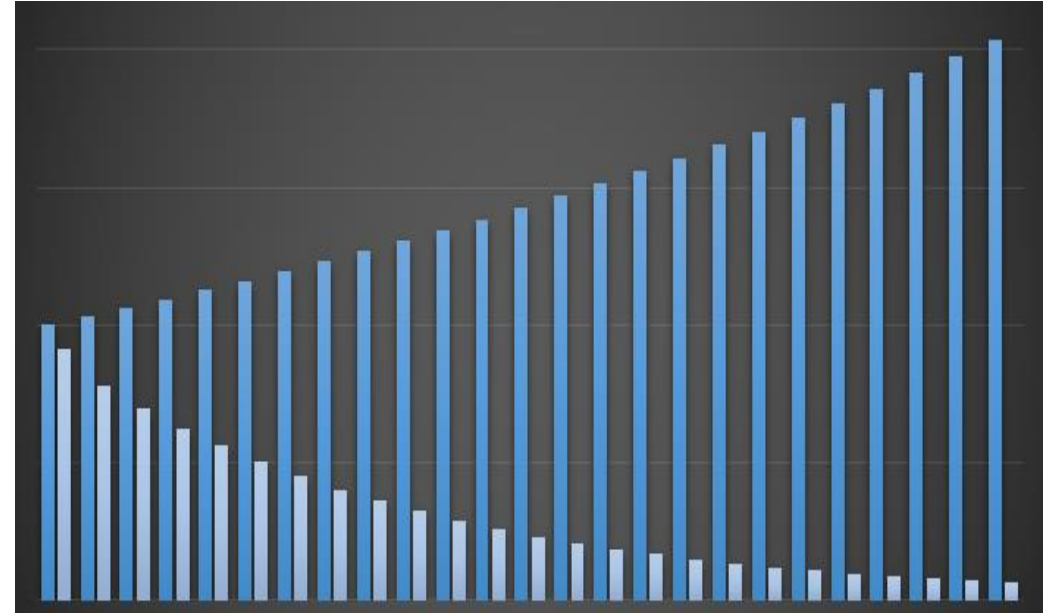
- Implement internal process to clarify priorities
- Engage external technical, financial & legal advisors
- Campus and community stakeholder consultation
- Interact with the potential partners
- Reduce uncertainties to avoid cost premiums
- Assess tradeoffs of replacement in kind vs low carbon future





# RFQ, RFP, P3 Agreement & Evaluation Process

- External advisors
  - Legal
  - Financial
  - Technical
- Value for Money (VfM) analysis
- Understand your discount rate
- Schedule enough time for iterations of the RFP
- Bid evaluation structure should reflect institutional priorities



# Advice for private sector

- Recognize that this is a long process with plenty of frustrations
- Have patience for complex university processes & players
- Be open to unique provisions of importance to the institution
- Seek to understand the “hot buttons” of the key individuals
- Push the institution to provide a clear bid evaluation structure
- Clarify, clarify, clarify
- Develop a technically sound & flexible vision for GHG reduction

# Final thoughts

- P3s can bring substantial benefits and value to the procurement, delivery, and O&M of institutional infrastructure
- P3s are not for everyone and should be carefully considered
- Complex and time-consuming process
- High transaction costs
- A good P3 will be unique to the needs of the institution



# Thank you for your attention!

## Questions?

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