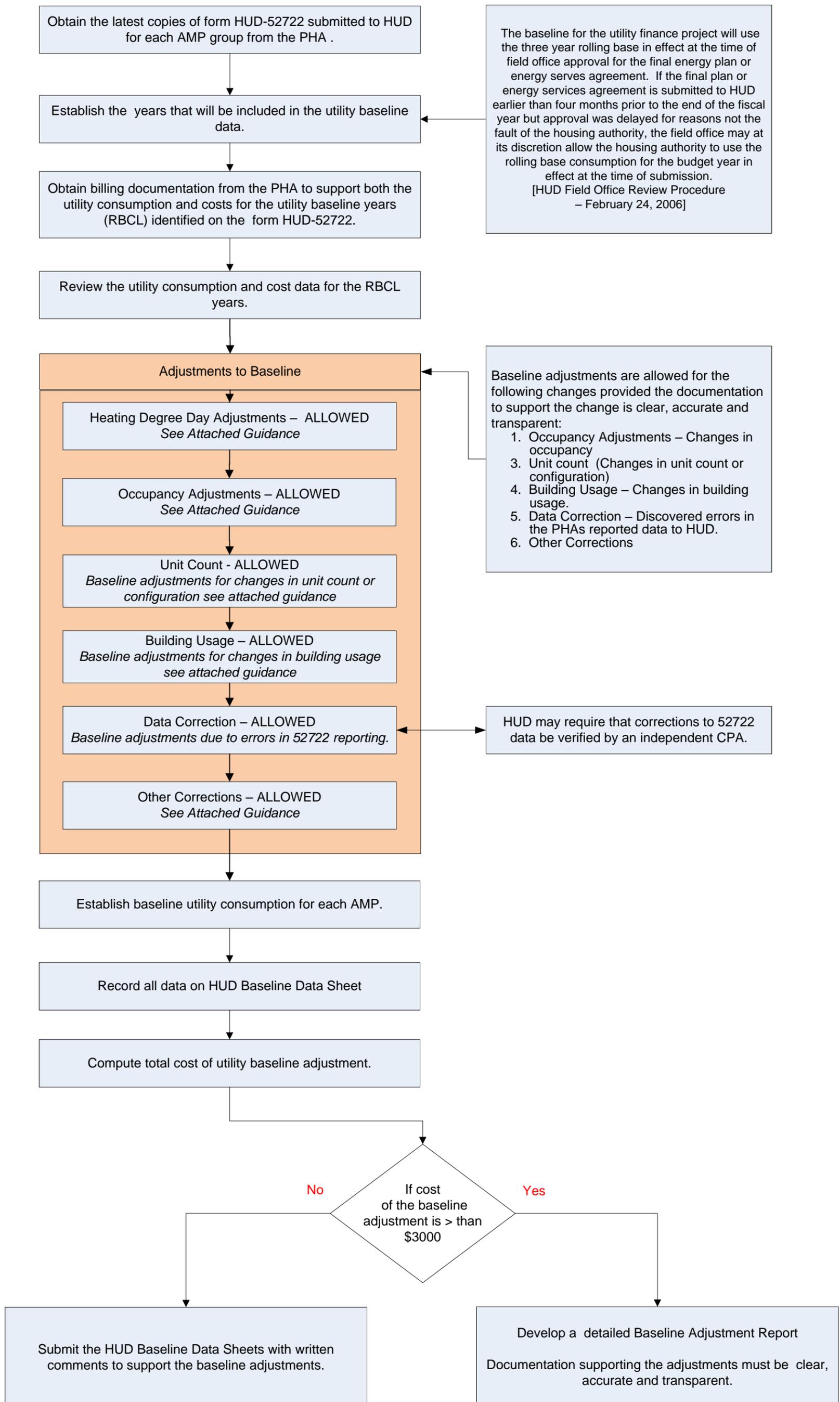


Baseline Review Process

How to establish the utility baseline

04/08/2010



Guidance - Baseline Adjustments

04/08/2010

General:

In an Energy Performance Contract (EPC) there are two separate contracts running in parallel.

1. The first contract is the agreement between the PHA and HUD that qualifies the PHA to receive the HUD financial incentive and defines the basis for such incentive.
2. The second contract is the agreement between the PHA and the ESCo. This contract is defined by the terms, conditions, and technical clauses of the ESCo contract.

Baseline Adjustments:

The following table illustrates the relationship of the initial baseline adjustments in the two contracts.

| Baseline Adjustment | PHA to HUD Agreement | PHA to ESCo Agreement |
|-----------------------------|---|-----------------------|
| Baseline Years | As per HUD Guidance | |
| Baseline Period | Utility Reporting Year – July 1 st through June 30 th . | |
| HDD Adjustments | Allowed as per HUD Guidance | |
| Occupancy Adjustments | Allowed as per HUD Guidance | |
| Unit Count Adjustments | Allowed as per HUD Guidance | |
| Building Usage Adjustments | Allowed as per HUD Guidance | |
| Data Correction Adjustments | Allowed as per HUD Guidance | |
| Other Adjustments | Allowed as per HUD Guidance | |

Yearly Adjustments:

The following table illustrates the relationship of the yearly adjustments in the two contracts.

| Yearly Utility Consumption Adjustments | PHA to HUD Agreement | PHA to ESCo Agreement |
|--|---|--|
| HDD Adjustments | Add-on Subsidy Only Adjustments to yearly utility consumption values are allowed for HDD changes. | Utility consumption adjustments are allowed per terms and conditions of ESCo contract. |
| Occupancy Adjustments | Baseline adjustment(s) allowed with HUD approval. | |
| Unit Count Adjustments | | |
| Building Usage Adjustments | | |
| Other Adjustments | With HUD Approval | |
| Note: The greater the variances between the two contract, the greater the risk to the PHA. | | |

Guidance - Baseline Adjustments

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1. Heating Degree Day (HDD) Adjustments.
 - a. Initial baseline adjustments – A frequent process in energy performance contracting is to adjust the baseline utility consumption for changes in heating degree-days. The baseline would be normalized for heating usage to the 30-year norm for that geographical area. The process to normalize the data is complex, time consuming, involves assumptions and must be applied to all data. In an effort to streamline the approval process for EPCs, adjustments to the baseline for HDDs will not be considered unless the average HDD values for the rolling baseline years differs from the 30 year norm for that geographical area by more than 10%. Adjustments will then be considered for heating usage only.
 - b. Yearly Consumption Adjustments – ESCo contracts will probably contain a clause that allows the ESCo to adjust their yearly guaranteed utility consumption for changes in heating degree-days. This adjustment should be based upon differences in HDD values between the rolling base years and the current year, for heating usage only. HUD will allow yearly consumption data be adjusted for HDD for the add-on subsidy incentive only. HUD must approve the methodology used. The adjustment must be applied for all years of the incentive.
2. Occupancy Adjustments
 - a. Initial adjustment – Adjustments for occupancy for differences in the average rolling base occupancy and the current occupancy level, as listed on the current 52723 form, will be allowed with HUD approval.
 - b. Yearly adjustment – Adjustments for occupancy for differences in the current utility reporting year, as listed on the 52723 form, and the HUD approved baseline will be allowed with HUD approval.
3. Unit Count Adjustments
 - a. Initial adjustment – Adjustments for the number or type of units included in the rolling base consumption years compared to the current year, as listed on the PIH Information Center (PIC) datasheets, will be allowed with HUD approval.
 - b. Yearly adjustment – Adjustments for the number or type of units in the current utility reporting year, as listed on the PIC datasheets, and the HUD approved baseline will be allowed with HUD approval.

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4. Building Usage
 - a. Initial adjustment – Adjustments for building count and usage changes between the rolling base consumption years compared to the current year, as listed on the PIH Information Center (PIC) datasheets, will be allowed with HUD approval.
 - b. Yearly adjustment – Adjustments for building count changes and usage in the current utility reporting year, as listed on the PIC datasheets, and the HUD approved baseline will be allowed with HUD approval.
5. Data Correction –
 - a. Initial adjustment – A PHA reports their yearly utility consumption to HUD on the form HUD-52722. An ESCo normally verifies this information by reviewing actual utility bill information. HUD will allow adjustments to the utility baseline for errors discovered during this review process. HUD may require that a CPA verify the corrected consumption values.
 - b. Yearly adjustment – Not allowed.
6. Other Adjustments
 - a. Initial adjustment – Other adjustments between the rolling base consumption years compared to the current year, will be allowed with HUD approval. An example of this type of adjustment would be:
 - i. Water meter replacement. Water meters normally run slower as they get older. If a water meter is verified by a third party as running slow, then HUD will consider an adjustment to the utility baseline.
 - ii. Central Office Cost Center (COCC) – Baseline adjustments may be needed to exclude COCC utilities from the reported 52722 values. In 2008 HUD directed PHAs to exclude the COCC utilities from the reported 52722 values for building that were separately metered. In 2009 PHAs were directed to exclude COCC utilities from the 52722 values for offices within the same building. PHAs were directed to use a reasonable methodology in defining these values.
 - b. Yearly adjustment – Other adjustments in the current utility reporting year and the HUD approved baseline will be allowed with HUD approval.

END