



# QUARTERLY

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## What is Energy Savings Performance Contracting?

By Dan Hering, Energy Services

Energy Savings Performance Contracting (ESPC) is a comprehensive set of integrated services that is frequently compared to design/build construction contracting. It provides building owners with a broad set of solutions developed to optimize the performance of their facilities. ESPC often includes aspects of financial engineering and incorporates, amongst other things, performance guarantees that future savings generated by a project will be sufficient to fund the cost of the project. A typical ESPC project is delivered by an Energy Services Company (ESCO) and consists of the following elements:

- **Comprehensive Integrated Services** – The ESCO typically self-performs all of the professional services necessary to assess the efficiency improvement opportunities at the client's facilities. This includes designing, implementing and commissioning the solutions, warranting them and maintaining, monitoring and verifying performance over a determined period of time.
- **Broad Set of Solutions** – The ESCO assesses a wide range of solutions which will fit the unique needs of the client. The solutions can be related to infrastructure such as lighting retrofits, water conservation initiatives, energy management and control systems upgrades, metering, equipment replacement, system conversion (i.e. constant volume to variable air volume), or even cogeneration or renewable energy systems. The solutions may also be more behavioral or knowledge-based and strategic in nature; for example, master planning, utility bill management and incentive negotiations, building certification (LEED, Green Globes or Energy Star) or life-cycle maintenance practices.

- **Financial Engineering** – The ESCO routinely assists the client in finding and securing all sources of capital offset funding sources, such as utility incentives, energy grants and tax incentives. The ESCO will also arrange for long-term project financing that is provided by a third-party financing company. Financing usually comes in the form of an operating lease or municipal lease. The ESCO will also provide a financial model over the project's life-cycle including pay-back, ROI and net present value analysis.
- **Performance Guarantees** – The ESCO customarily provides multiple performance guarantees. The first is on installation value. The ESCO usually operates under a Guaranteed Maximum Price installation contract ensuring that the financial model provided is not at risk from price creep (change orders) during installation. In addition, the ESCO provides a guarantee that the monetary value of the efficiency improvements produced by the project will be sufficient to cover the cost of project financing for the life of the project.

To learn more about ESPC and PSF's capabilities in all aspects of Energy Services, please contact Dan Hering or Pat Mulhall at 206-764-9663.

### CURRENT PROJECTS

- Lakeside School  
Seattle, WA  
Tenant Improvement  
HVAC & Piping
- Evergreen Hospital - Bella Bottega  
Redmond, WA  
Build-to-suit  
HVAC, Piping & Plumbing
- Bank of America  
Seattle, WA  
Turbocor Retrofit  
HVAC & Piping
- Nordstrom Christiana  
Newark, DE  
New Construction  
HVAC
- Nordstrom Rack at Spokane Valley  
Spokane, WA  
Remodel of Existing Building  
HVAC
- Nordstrom Rack at Chicago Avenue  
Chicago, IL  
Remodel of Existing Building  
HVAC & Piping

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## PSF to Exhibit at ASHE Region 10, September 21 - 24, 2010, in Spokane

Please join us at the 2010 American Society for Healthcare Engineering ASHE Region 10 Educational Conference & Technical Exhibition, "Northwest Rendezvous IV: Navigating the Rapids of Change." Participants will be

attending from chapters in Arizona, Idaho, Oregon, Montana, Wyoming, Washington, Hawaii and Western Canada. More details are available at [nwrendezvous4.org](http://nwrendezvous4.org).



#### PSF Team:

John King - Account Executive; Kevin McLean - PM;  
Dan Cushman - Engineer; Mike Butenschoen - Sheet Metal  
Foreman; Chris Clarke - HVAC Piping Foreman

#### PhaseRx Inc.

- 9,030 ft<sup>2</sup> Lab
- Tenant Improvement
- Seattle, WA

#### Team Members:

- Owner - Alexandria Real Estate Equities
- Tenant - PhaseRx, Inc.
- GC - BNBuilders, Inc.
- Architect - Stock & Associates
- HVAC Design/Build - PSF Mechanical, Inc.
- Plumbing Design/Build - Auburn Mechanical, Inc.

#### HVAC Systems Include:

- Dedicated 100% outside air unit for lab spaces
- Systems integration into existing building chilled water and heating water systems
- Specialty exhaust systems
- Constant volume, re-heat terminal units for lab spaces
- Revision to existing VAV system for general office areas

#### Project Challenges:

- Integration of new lab space into existing building with unique pressure relationships
- Accommodating HVAC, plumbing, electrical and fire sprinkler in extremely tight ceiling interstitial space
- Scheduling challenges including phase completion and turn over of spaces and construction in an occupied building



#### PSF Team:

Mike Gifford - Account Executive; Kevin McLean - PM;  
Marty Novini - Engineer; Joe Marshall - Sheet metal  
Foreman

#### Canyon Park Commons Building 3 (AT&T floors 2 & 3, Tenant Improvement)

- 60,000 ft<sup>2</sup> Office Building
- Tenant Improvement
- Bothell, WA

#### Team Members:

- Owner - Arden Building
- GC - Foushee & Associates, Inc.
- Architects - JPC Architects
- HVAC - PSF Mechanical, Inc.

#### HVAC Systems:

- Two Carrier rooftop VAV units
- Mitsubishi VRF for 24/7 cooling of data rooms
- Siemens DDC control system
- Complete tenant improvement for two of three floors to meet new tenant layout

#### Project Challenges:

- The building had experienced a long-term vacancy and required refurbishment of the rooftop VAV units, plus many of the VAV terminal control cards and electric strip heaters were not functional.
- Bothell required modifications to accommodate current exiting language in the IBC - issued as amendments to the permit submission. This was accomplished without schedule impact.

## Are You A Partner or a Vendor?

By Randy Tuminello, Senior VP of Client Services

Most professional service providers, e.g. architects, engineers and builders, cringe at the thought of being labeled a vendor. This is quite understandable.

The unique nature of their “product” is usually very technical and complex, requires a transaction period not in hours or days but from several months to several years, and requires specialized skills—from artist and creative problem solver to psychoanalyst and coach. It is hardly an object that can be pulled off the shelf in typical vendor-like fashion. So as a professional services provider, how do you elevate your status from vendor to partner?

### Differentiate

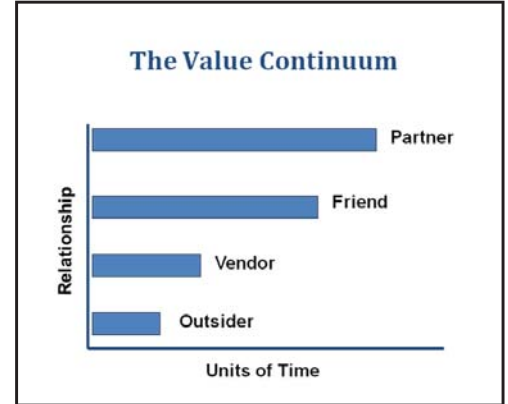
The first step on the ladder to partnership is differentiation. Research indicates that when clients perceive their options “look alike,” they tend to make choices based on price. At this point, the selection decision is merely a transaction, and if the cost to switch to another provider is minimal, client loyalty is out the window. Unless you’re continually the low cost provider, there is little opportunity to maintain

repeat business in this kind of environment.

This explains at least one of the reasons why many professional services firms are being viewed as vendors. Very few companies have achieved enough distinction to warrant a higher value-added perception. Anyone who has scoured through mountains of proposals or yawned through their fair share of interviews can bear witness to the fact that most firms basically say and do the same things. The typical client asks: “Why pay a premium for what is essentially the same service?”

### Develop your relationship

One of the best ways to differentiate and move into the hallowed ground of partnership is to consciously apply the “value continuum” (see page 4). The value continuum is a conceptual model that outlines the progressive stages that naturally transpire in trust-based relationships. Over an extended period of time that varies from client to client, you move from the role of outsider to partner as you ascertain and meet certain needs. Here’s how it works:



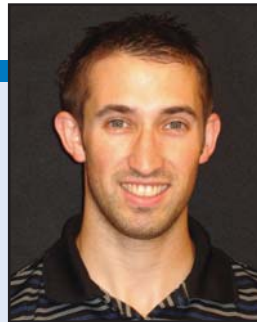
1. If you are meeting neither task nor relationship needs, you are an outsider.
2. If you are meeting task but not relationship needs, you are a vendor.
3. If you are meeting personal but not task needs, you are a friend.
4. If you are meeting both task and relationship needs, you are a partner.

## PSF EMPLOYEE SPOTLIGHT

### PSF Welcomes WSU Grads Justin Ramm & Josh Doerr

PSF is committed to the support of the future practitioners and leaders of our industry. We have developed partnerships with Seattle University, the University of Washington and Washington State University through the formation of programs such as: “communities of practice” including senior design projects; faculty training and guest lectures on the subjects

of project management, integrated project design, and leading edge, innovative and energy efficient mechanical designs; and through the creation of endowments and scholarships. Each fall PSF participates in the WSU College of Engineering and Architecture’s Technical Career Fair at the Pullman, WA campus. We spoke with and interviewed



Justin Ramm

dozens of well-prepared and promising candidates last October. We are pleased to announce we have hired two exceptional graduates to join our Engineering Department.

Justin Ramm joined our staff following his graduation in December 2009.



Josh Doerr

Josh Doerr joined PSF in July and is currently preparing for the presentation of his master’s thesis.

In their very short time with us, both Justin and Josh have proven to be highly capable and very valuable members of our team.

As you establish a new business relationship, you usually start as an outsider. There has been little opportunity to establish rapport and professional credibility. You may also be perceived as an outsider if you have ignored or misunderstood your client's needs. When you neglect the human aspects of the client relationship, the client often perceives you in this light. While he or she may respect your technical expertise, there is no particular loyalty from the client.

Vendors can progressively work toward partnership status by focusing on client needs in two areas: task needs and relationship needs. Task needs are defined as meeting scope, schedule, budget and quality requirements. Relationship needs

are defined as establishing rapport, respect, communication, confidence and trust. Partnership status is not attained until both task and relationship needs are met.

#### Maintain your partnerships

Today's marketplace offers virtually unlimited service choices. If your clients don't like the relationship they have with you, they can walk across the street—or across the Pacific—and find exactly what they want.

There are few geographic boundaries, only boundaries of price, convenience and security. For these reasons, clients are rarely interested in your definitions of quality, service, etc. They have their own.

To maintain your partnership status you must remain vigilant to your clients' changing needs. Companies become partners because they are helping their clients make money, save money and add value to their own customers. Meeting both task and relationship needs is essential in the creation of a partner relationship where you and your firm are the professionals of choice for solving problems. In this game, vendors don't have a chance against partners.

So who said you have to waste away in vendorville? The ladder to partnership status awaits any firm who has the vision, the people and the fortitude to climb it.

## Meet the People That Make Things Happen



**Brian Carbaugh, Service Operations Manager** – Brian has a Bachelors in Systems Engineering from the US Naval Academy, as well as a Masters in Business Administration from the University of Washington. He joined PSF with 7 years of experience. In his free time Brian enjoys golf, riding motorcycles and spending time with his little girl.



**William "Bill" Misocky, Senior Project Manager** – Bill has been involved in the plumbing and mechanical industry since 1981 and has worked on several high-profile projects in Seattle. He has brought success to all of his projects in whatever capacity he was involved, whether it was as a foreman, superintendant, trainer or project manager. Bill has many hobbies including riding motorcycles, guitar, archery, cooking and gardening.

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