

Authorization of New Capital Improvements Project – North Carolina State University

North Carolina State University has traditionally investigated, analyzed and implemented energy and water saving opportunities as part of the campus culture, engaging students as well as campus faculty and staff. The campus is guided by a Strategic Energy and Water Plan, submitted annually to the State Energy Office, a tactical program of addressing inefficient buildings and meeting the environmental stewardship required by both UNC Tomorrow and the Board of Governors' Sustainability Policy and statutory (G.S.143-64.12) energy reduction goals of 20% by 2010 and 30% by 2015.

The Board of Trustees of North Carolina State University requests authority to establish a capital improvements project and enter into a guaranteed energy savings contract. The contract includes improvements in energy efficiencies through new or enhanced digital building controls, replacing major inefficient mechanical systems which have exceeded their life cycle, new utility meters for reliable energy monitoring and management, improved lighting fixtures and occupancy sensors, solar hot water heating, improvements to heating and airflow and water conservation measures to reduce water and sewer costs on the campus. G.S. 143-64.17B and F authorizes state agencies to utilize guaranteed energy savings contracts to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts.

The project involves thirteen buildings and 1.6 million square feet of building space and consists of 89 Energy Conservation Measures (ECMs). The project will also help address the sizable backlog in repair and renovation projects despite the uncertainty of Repair and Renovation Funds.

Working with the State Energy Office and their list of pre-qualified energy service companies, North Carolina State University selected Schneider Electric as the energy services

company to execute the performance contract. Schneider Electric has validated the estimated project costs and utility savings and is willing to enter into a contract to guarantee that 100% of the projected savings will be achieved, and if not, will be liable for any shortfall. The estimated cost of the project to be financed is \$19.7 Million and would be financed with a tax-exempt loan to be repaid from utility savings. The first year guaranteed savings is \$1.58 Million, with a guaranteed savings at the end of the project of \$38 Million. These savings and avoided costs will continue to accrue to NCSU and the State after the term of the contract. The project is expected to reduce the current energy consumption in the 13 buildings by at least 37%.

To finance this project, NCSU used a competitive process and selected Branch Banking and Trust (BB&T) Company at an interest rate not to exceed 5.27%. The term of the loan will not exceed 20 years after a one-year construction period. Construction is anticipated to commence in May 2010.

The project, the guaranteed energy savings contract, and the method of financing would be accomplished within the guidelines, procedures, and policies of the Department of Administration, the Office of State Budget and Management, and the Department of State Treasurer, and will be subject to the approval of the Council of State.

It is recommended that the request of the Board of Trustees of North Carolina State University be approved.