

Authorization of New Capital Improvements Project – Appalachian State University

G.S. 143-64.12 requires that all state buildings reduce energy use per gross square foot 20% by 2010 and 30% by 2015 based on fiscal year 2002-2003 energy consumption. G.S. 143-64.17F authorizes state agencies to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts. The President's interest in a systematic approach to implementing facility efficiencies and encouraging environmental stewardship in conjunction with the Board of Governors UNC Sustainability Policy, authorizes the implementation of sustainable practices in buildings to meet or exceed statutory requirements as part of an ongoing sustainability action plan.

The Board of Trustees of Appalachian State University has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract that would improve energy efficiencies, replace failing equipment and infrastructure, and reduce water consumption on the ASU campus. The project would provide more efficient lighting and mechanical systems, upgrade building controls for mechanical and electrical systems, and add water conservation devices in 28 campus buildings, involving approximately 1.8 million square feet of space.

Working with the State Energy Office and their list of pre-qualified energy service companies, ASU selected Pepco Energy Services (John Huffman, CEO) as its energy services company. Pepco has validated the estimated project cost and utilities savings and is willing to enter into a contract in which they guarantee that 100% of the projected savings will be achieved or Pepco will be liable for any shortfall. The cost of the project will not exceed \$16,500,000 and would be financed with a tax-exempt loan or capital lease to be repaid within 13 years from utility savings guaranteed to total at least \$23,621,335. After the debt is paid, the savings

produced by the improvements of a \$16,500,000 project, are estimated to be \$1,900,000 per year, will continue to accrue to ASU and the State. The project is expected to reduce the current energy consumption of the 28 buildings by at least 30%.

To finance this project, ASU will solicit competitive proposals from qualified lenders. ASU expects a finance rate not to exceed 3.6% on an amount not to exceed \$16,500,000. The term of the loan will be for 13 years with a 22-month construction period.

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 Appalachian State University be approved.

Authorization of New Capital Improvements Project – The University of North Carolina Center for Public Television

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The University of North Carolina Center for Public Television (UNC-TV) requests authority to establish a capital improvements project and enter into a guaranteed energy savings contract to improve energy efficiency and reduce water consumption in the Center for Public Television complex. The specific energy conservation measures will be identified and documented during an Investment Grade Audit, and may include replacement of inefficient heating, ventilating, and air conditioning equipment, as well as improved controls for these systems, lighting improvements, and water conservation measures. To finance this project, UNC-TV will solicit competitive proposals from qualified lenders. UNC-TV expects a finance rate not to exceed 3.5% on an amount not to exceed \$1,700,000. The savings generated by the guaranteed energy savings contract will fund the debt. After the debt is paid, the savings produced by the improvements will continue to accrue to UNC-TV and the State. The term of the loan will not exceed 20 years after a four-month construction period anticipated to commence by June 2013. The savings guaranteed by the selected energy services company is anticipated to

exceed \$102,000 annually. The selected energy services company will validate the project costs and utility savings and will enter into an Energy Services Agreement guaranteeing 100% of projected savings will be achieved, along with liability for any shortfall.

A Request for Proposal was issued to prequalified energy services companies in compliance with State Energy Office policies and procedures and three responses were received. The three firms interviewed and recommended for approval, in priority order, are: (1) Pepco of Raleigh, N.C., (2) Brady Trane of Morrisville, N.C., and (3) Honeywell of Morrisville, N.C.

It is recommended that this project and its method of financing be authorized, and the selected energy service company be approved. It is further recommended that the Board delegate authority to the President to forward a contract to the Department of Administration, the Office of State Budget and Management, the State Treasurer, and the Council of State for final approval as he deems appropriate, following the results of an Investment Grade Audit and solicitation for financing.

A RESOLUTION DELEGATING AUTHORITY TO THE PRESIDENT FOR
AN INSTALLMENT FINANCING CONTRACT RELATED TO A
GUARANTEED ENERGY SAVINGS CONTRACT FOR AND ON BEHALF
OF THE UNIVERSITY OF NORTH CAROLINA CENTER FOR PUBLIC
TELEVISION