Guaranteed Energy Performance Contracts

"Diverting Funds from Energy Bills into Building Investments"

- Guaranteed energy performance contracts are contracts for the evaluation, recommendation and implementation of energy conservation measures (ECMs) in which all payments are to be made over time by the energy savings which are guaranteed to exceed costs of the contract. The ECMs include design, installation of equipment, repair and / or replacement of existing equipment. **§ 143-64.17**

- The term of the financing contract shall not exceed 20 years**. § 143-64.17B.**

- A campus is authorized to execute and deliver on behalf of the State of North Carolina a contract to finance the costs of energy conservation measures.
    - The aggregate amount payable by the State for all state projects under EPC financing contracts shall not exceed one hundred million dollars ($100,000,000) at any one time. **§ 142-63.**

- An application must be submitted to the State Energy Office which includes current utility costs, lighting and equipment information and proposed scope of the project. The application is located on the SEO website (http://www.energync.net/programs/usi.html#pc)

- Sixteen (16) Energy Service Companies (ESCO) have been pre-approved for use on Energy Performance Contracts in the state. The list of companies is located on the SEO website (http://www.energync.net/programs/usi.html#pc)

- Campuses shall solicit for guaranteed energy savings contracts through a Request for Proposal (RFP). The RFP template is available from the State Energy Office (SEO) and is on their website (http://www.energync.net/programs/usi.html#pc)
§ 143-64.17A

- An investment grade audit is provided by the ESCO. If the audit results are within 10% the institution can decide to proceed. If the campus decides not to proceed and the results are within 10% the ESCO shall be reimbursed for reasonable cost the ESCO incurred to conduct the audit.

- If the audit is not within ten percent (10%) of the guaranteed savings contained in the proposal, the institution or the ESCO may terminate the project without incurring any additional obligation to the other party.

- There are three options for financing the contract: Vendor or ESCO financing, bank financing or Certificates of Participation (COPs).

    - State Treasurer's Office approval is required to enter into an EPC financing contract.
    - Office of State Budget and Management must certify that funds are available to the State to make the payments due under a financing contract.
        - A separate line item funded from utilities will be established for debt service by the Office of State Budget and Management.
- The Energy Service Company (provider) must provide security in a form acceptable to the Office of the State Treasurer and in an amount equal to one hundred percent (100%) of the total cost of the guaranteed energy savings contract to assure the provider's faithful performance. **§ 143-64.17B**

Benefits of EPC to the University

- The University will benefit from new and more efficient equipment, lighting and controls.
- This option facilitates the reduction of deferred maintenance on the campus.
- A number of retrofits can be completed without using internal staff.
- EPCs can be used to supplement R & R funds so that R&R funds are available for other non- energy related projects.
- The savings are guaranteed; and, if not achieved, the ESCO has to write a check for the difference.
- EPCs assist the campuses in meeting new building efficiency legislation (S668) and PACE initiatives.
- EPCs result in energy and water savings.
- EPCs improve control and comfort for occupants.

Other Considerations

- $ 100 Million is available to state agencies. Approximately $35 Million has or will be used to date for Energy Performance Contracting. Approximately $65 Million (comparable to the University's 2007 R & R allocation) remains available.

- UNCG was allocated $3.2Million for 2007 R&R and has a $5.8 Million EPC contract which will pay for itself over the twelve year term of the contract.

Next Steps

- Gather input from Facilities Planning, Physical Plant, Chief Financial Officer and staff, to determine potential retrofits or replacement projects as well as infrastructure upgrades and or tie-ins to central plants that could comprise the basis for a performance contract.
- Evaluate internal staff capabilities. There is the option to hire an Owners Representative to manage the EPC process (UNCW is considering this option).
- Report to the President on possible Energy Performance Contracting opportunities.