

Authorization of New Capital Improvements Project – North Carolina Central University

G.S. 143-64.17F authorized 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 Advisory Committee on Efficiency and Effectiveness (PACE) and the UNC Tomorrow Commission also identified guaranteed energy savings contracts as important tools to achieve facility efficiencies and proper environmental stewardship. G.S.143-64.12 requires that all state buildings reduce energy consumption per gross square foot by 20% by 2010 and 30% by 2015 based on fiscal year 2002-03 consumption. The UNC Sustainability Policy, adopted by the Board of Governors in October 2009, authorized the implementation of sustainable practices in buildings to meet or exceed statutory requirements to reduce energy and water use, while maintaining air quality and comfort and giving priority to the installation of high-efficiency equipment as part of an ongoing sustainability action plan. To improve the efficiency of its facilities and in support of the goals outlined by PACE and UNC Tomorrow, NCCU worked with the State Energy Office to select Chevron Energy Solutions from the state's list of pre-qualified energy services companies. This has been approved by the Board of Trustees.

NCCU entered into an agreement with Chevron in December of 2009 to perform a thorough Investment Grade Audit (IGA) of the proposed energy conservation measures. Upon receiving the completed IGA in May 2010, NCCU engaged the services of a third party engineering firm to validate the findings in the IGA report. The third party engineering firm's evaluation was completed in June 2010 confirming the accuracy of the costs and savings shown in the IGA report.

The Board of Trustees of North Carolina Central University has requested authority to establish a capital improvements project and to enter into a guaranteed energy savings contract to improve energy efficiencies, replace inefficient equipment and infrastructure, and reduce water consumption on the NCCU campus. The project involves 83 energy conservation measures (ECMs) to include replacing boilers and controls in the heating plant, refurbishing or replacing air handler units, more efficient lighting, a solar thermal system, upgrading building controls for mechanical and electrical systems, and water conservation measures in multiple buildings.

Chevron Energy Solutions 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, Chevron Energy Solutions will be liable for any shortfall.

NCCU will solicit competitive proposals from qualified lenders to finance this project with a tax-exempt loan in an amount not to exceed \$6,664,426 with a rate not to exceed 5.25% to be repaid from utility savings within 15 years. Construction would be anticipated to commence in January 2011. After the debt is paid, the savings produced by the improvements, estimated to be \$580,000 per year, will continue to accrue to NCCU and the State. The project is expected to achieve a 21% reduction in energy consumption in 10 buildings on the NCCU campus.

It is recommended that the request of the Board of Trustees of North Carolina Central University be approved and that the proposed contract be forwarded to the Department of Administration, the Office of State Budget and Management, the State Treasurer, and the Council of State for final approval.