

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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SENATE BILL 547  
PROPOSED COMMITTEE SUBSTITUTE S547-PCS75282-SV-13

Short Title: Energy Savings Contracting Amendments.

(Public)

Sponsors:

Referred to:

April 1, 2013

1 A BILL TO BE ENTITLED  
2 AN ACT TO AMEND THE STATUTES GOVERNING GUARANTEED ENERGY  
3 SAVINGS CONTRACTS FOR GOVERNMENTAL UNITS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 143-64.17 reads as rewritten:

6 "**§ 143-64.17. Definitions.**

7 As used in this Part:

8 ...

9 (5) "Qualified provider" means a person or business experienced in the design,  
10 implementation, and installation of energy conservation ~~measures~~measures  
11 who has been prequalified by the State Energy Office according to the  
12 prequalification criteria established by that Office.

13 (5a) "Qualified reviewer" means an architect or engineer who is (i) licensed in  
14 this State and (ii) experienced in the design, implementation, and installation  
15 of energy efficiency measures.

16 ...."

17 **SECTION 2.** G.S. 143-64.17A reads as rewritten:

18 "**§ 143-64.17A. Solicitation of guaranteed energy savings contracts.**

19 (a) RFP Issuance. – Before entering into a guaranteed energy savings contract, a  
20 governmental unit shall issue a request for proposals. Notice of the request shall be published at  
21 least 15 days in advance of the time specified for opening of the proposals in at least one  
22 newspaper of general circulation in the geographic area for which the local governmental unit  
23 is responsible or, in the case of a State governmental unit, in which the facility or facilities are  
24 located. No guaranteed energy savings contract shall be awarded by any governmental unit  
25 unless at least two proposals have been received from qualified providers. Provided that if after  
26 the publication of the notice of the request for proposals, fewer than two proposals have been  
27 received from qualified providers or fewer than two qualified providers attend the mandatory  
28 pre-bid meeting, the governmental unit shall again publish notice of the request and if as a  
29 result of the second notice, one or more proposals by qualified providers are received, the  
30 governmental unit may then open the proposals and select a qualified provider even if only one  
31 proposal is received.

32 (b) Preliminary Proposal Evaluation. – The governmental unit shall evaluate a sealed  
33 proposal from any qualified provider. ~~Proposals shall contain estimates of all costs of~~  
34 ~~installation, modification, or remodeling, including costs of design, engineering, installation,~~  
35 ~~maintenance, repairs, debt service, and estimates of energy savings.~~ A qualified reviewer shall  
36 be required to evaluate the proposals and will provide the governmental unit with a letter report



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1 containing both qualitative and quantitative evaluation of the proposals. The report may include  
2 a recommendation for selection, but the governmental unit is not obligated to follow it.

3 (c) Receipt of Proposals for Unit of Local Government. – In the case of a local  
4 governmental unit, proposals received pursuant to this section shall be opened by a member or  
5 an employee of the governing body of the local governmental unit at a public opening at which  
6 the contents of the proposals shall be announced and recorded in the minutes of the governing  
7 body. Proposals shall be evaluated for the local governmental unit by ~~a licensed architect or~~  
8 ~~engineer~~ a qualified reviewer on the basis of:

9 (1) The information required in subsection (b) of this section; and

10 (2) The criteria stated in the request for proposals.

11 The local governmental unit may require a qualified provider to include in calculating the cost  
12 of a proposal for a guaranteed energy savings contract any reasonable fee payable by the local  
13 governmental unit for the evaluation of the proposal by a ~~licensed architect or professional~~  
14 ~~engineer~~ qualified reviewer not employed as a member of the staff of the local governmental  
15 unit or the qualified provider.

16 (c1) Receipt of Proposals for Unit of State Government. – In the case of a State  
17 governmental unit, proposals received pursuant to this section shall be opened by a member or  
18 an employee of the State governmental unit at a public opening and the contents of the  
19 proposals shall be announced at this opening. Proposals shall be evaluated for the State  
20 governmental unit ~~by a licensed architect or engineer~~ by a qualified reviewer who is either  
21 privately retained, employed with the Department of Administration, or employed as a member  
22 of the staff of the State governmental unit. The proposal shall be evaluated on the basis of the  
23 information and report required in subsection (b) of this section and the criteria stated in the  
24 request for proposals.

25 The State governmental unit shall require a qualified provider to include in calculating the  
26 cost of a proposal for a guaranteed energy savings contract any reasonable fee payable by the  
27 State governmental unit for evaluation of the proposal ~~by a licensed architect or professional~~  
28 ~~engineer~~ by a qualified reviewer not employed as a member of the staff of the State  
29 governmental unit or the qualified provider. The Department of Administration may charge the  
30 State governmental unit a reasonable fee for the evaluation of the proposal if the Department's  
31 services are used for the evaluation and the cost paid by the State governmental unit to the  
32 Department of Administration shall be calculated in the cost of the proposal under this  
33 subsection.

34 (d) Criteria for Selection of Provider. – The governmental unit shall select the qualified  
35 provider that it determines to best meet the needs of the governmental unit by evaluating all of  
36 the ~~following:~~ following and following the procedures set forth in subsection (d1) of this  
37 section:

38 (1) ~~Prices offered.~~

39 (2) ~~Proposed costs of construction, financing, maintenance, and training.~~

40 (3) Quality of the products and energy conservation measures proposed.

41 (4) ~~Amount of energy savings.~~

42 (5) General reputation and performance capabilities of the qualified providers.

43 (6) Substantial conformity with the specifications and other conditions set forth  
44 in the request for proposals.

45 (7) Time specified in the proposals for the performance of the contract.

46 (8) Any other factors the governmental unit deems necessary, which factors  
47 shall be made a matter of record.

48 (d1) Process for Selection of Provider. – The governmental unit shall select a short list of  
49 finalists on the basis of its rankings of the written proposals under the criteria set forth in  
50 subsection (d) of this section as well as references from past clients. The governmental unit  
51 shall have the highest ranked qualified provider prepare a cost-savings analysis for the

1 proposed contract showing at a minimum a comparison of the total estimated project savings to  
2 the total estimated project costs for the proposed term. If the governmental unit and the  
3 qualified provider cannot negotiate acceptable terms, pricing, and savings estimates, the  
4 governmental unit may terminate the process and begin negotiations with the second highest  
5 ranked qualified provider. The State Energy Office shall review the selected qualified  
6 provider's proposal, cost-benefit analysis, and other relevant documents prior to the  
7 governmental unit announcing the award.

8 (e) Nothing in this section shall limit the authority of governmental units as set forth in  
9 Article 3D of this Chapter."

10 **SECTION 3.** G.S. 143-64.17B reads as rewritten:

11 "**§ 143-64.17B. Guaranteed energy savings contracts.**

12 ...  
13 (c) A qualified provider entering into a guaranteed energy savings contract under this  
14 Part shall provide security to the governmental unit in the form acceptable to the Office of the  
15 State Treasurer and in an amount equal to one hundred percent (100%) of the ~~total cost~~  
16 guaranteed savings for the term of the guaranteed energy savings contract to assure the  
17 provider's faithful performance. Any bonds required by this subsection shall be subject to the  
18 provisions of Article 3 of Chapter 44A of the General Statutes. If the savings resulting from a  
19 guaranteed energy savings contract are not as great as projected under the contract and all  
20 required shortfall payments to the governmental unit have not been made, the governmental  
21 unit may terminate the contract without incurring any additional obligation to the qualified  
22 provider.

23 ...  
24 (g) ~~In the case of a State governmental unit, a~~ A qualified provider shall provide an  
25 annual reconciliation statement based upon the results of the measurement and verification  
26 review. The statement shall disclose any shortfalls or surplus between guaranteed energy and  
27 operational savings specified in the guaranteed energy savings contract and actual, not  
28 stipulated, energy and operational savings incurred during a given guarantee year. Any  
29 guaranteed energy and operational savings shall be determined by using one of the  
30 measurement and verification methodologies listed in the United States Department of Energy's  
31 Measurement and Verification Guidelines for Energy Savings Performance Contracting, the  
32 International Performance Measurement and Verification Protocol (IPMVP) maintained by the  
33 Efficiency Valuation Organization, or Guideline 14-2002 of the American Society of Heating,  
34 Refrigerating, and Air-Conditioning Engineers. If due to existing data limitations or the  
35 nonconformance of specific project characteristics, none of the three methodologies listed in  
36 this subsection is sufficient for measuring guaranteed savings, the qualified provider shall  
37 develop an alternate method that is compatible with one of the three methodologies and  
38 mutually agreeable to the governmental unit. The guarantee year shall consist of a 12-month  
39 term commencing from the time that the energy conservation measures become fully  
40 operational. A qualified provider shall pay the ~~State governmental unit~~ or its assignee any  
41 shortfall in the guaranteed energy and operational savings after the total year savings have been  
42 determined. ~~A~~ In the case of a governmental unit, a surplus in any one year shall not be carried  
43 forward or applied to a shortfall in any other year."

44 **SECTION 4.(a)** G.S. 143-64.17L and G.S. 143-64.17M are repealed.

45 **SECTION 4.(b)** G.S. 143-64.17F(b) reads as rewritten:

46 "(b) The Department of Administration, in consultation with the Department of  
47 Commerce through the State Energy Office, shall adopt rules for: (i) agency evaluation of  
48 guaranteed energy savings contracts; (ii) establishing time periods for consideration of  
49 guaranteed energy savings contracts by the Office of State Budget and Management, the Office  
50 of the State Treasurer, and the Council of State, and (iii) setting measurements and verification  
51 criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to

1 this section, the Department shall consult with and obtain approval of those rules from the State  
2 Treasurer. ~~The rules adopted pursuant to this subsection shall not apply to energy conservation~~  
3 ~~measures implemented pursuant to G.S. 143-64.17L."~~

4 **SECTION 4.(c)** G.S. 143-64.17H reads as rewritten:

5 **"§ 143-64.17H. Report on guaranteed energy savings contracts entered into by State**  
6 **governmental units.**

7 A State governmental unit that enters into a guaranteed energy savings contract ~~or~~  
8 ~~implements an energy conservation measure pursuant to G.S. 143-64.17L~~ must report either (i)  
9 the contract and the terms of the contract or (ii) the implementation of the measure to the State  
10 Energy Office of the Department of Commerce within 30 days of the date the contract is  
11 entered into or the measure is implemented. In addition, within 60 days after each annual  
12 anniversary date of a guaranteed energy savings contract, the State governmental unit must  
13 report the status of the contract to the State Energy Office, including any details required by the  
14 State Energy Office. The State Energy Office shall compile the information for each fiscal year  
15 and report it to the Joint Legislative Commission on Governmental Operations and to the Local  
16 Government Commission annually by December 1. In compiling the information, the State  
17 Energy Office shall include information on the energy savings expected to be realized from a  
18 contract or implementation and shall evaluate whether expected savings have in fact been  
19 realized."

20 **SECTION 4.(d)** G.S. 142-63 reads as rewritten:

21 **"§ 142-63. Authorization of financing contract.**

22 ~~Subject to the terms and conditions set forth in this Article, (i) a State governmental unit~~  
23 ~~that is implementing an energy conservation measure pursuant to G.S. 143-64.17L and~~  
24 ~~financing it pursuant to this Article, (ii) a State governmental unit that has solicited a~~  
25 ~~guaranteed energy conservation measure pursuant to G.S. 143-64.17A or G.S. 143-64.17B, or~~  
26 ~~(iii) the State Treasurer, as designated by the Council of State, is authorized to execute and~~  
27 ~~deliver, for and on behalf of the State of North Carolina, a financing contract to finance the~~  
28 ~~costs of the energy conservation measure. The aggregate outstanding amount payable by the~~  
29 ~~State under financing contracts entered pursuant to this Article shall not exceed five hundred~~  
30 ~~million dollars (\$500,000,000) at any one time.~~

31 Subject to the terms and conditions set forth in this Article, a State governmental unit that  
32 has solicited a guaranteed energy conservation measure pursuant to G.S. 143-64.17A or  
33 G.S. 143-64.17B or the State Treasurer, as designated by the Council of State, is authorized to  
34 execute and deliver, for and on behalf of the State of North Carolina, a financing contract to  
35 finance the costs of the energy conservation measure. The aggregate outstanding amount  
36 payable by the State under financing contracts entered pursuant to this Article shall not exceed  
37 five hundred million dollars (\$500,000,000) at any one time."

38 **SECTION 4.(e)** G.S. 142-64 reads as rewritten:

39 **"§ 142-64. Procedure for incurrence or issuance of financing contract.**

40 (a) When a State governmental unit ~~(i) is implementing an energy conservation~~  
41 ~~measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article or (ii) has~~  
42 solicited a guaranteed energy conservation measure, the State governmental unit shall request  
43 that the State Treasurer approve the State governmental unit's entering into a financing contract  
44 to finance the cost of the energy conservation measure. In connection with the request, the State  
45 governmental unit shall provide to the State Treasurer any information the State Treasurer  
46 requests in order to evaluate the request. In the event that the State Treasurer determines that  
47 financing efficiencies will be realized through the combining of financing contracts, then the  
48 State Treasurer is authorized to execute and deliver, for and on behalf of the State of North  
49 Carolina, subject to the terms and conditions set forth in this Article, a financing contract for  
50 the purpose of financing the cost of the multiple energy conservation measures.

51 ...."

1           **SECTION 4.(f)** Notwithstanding this section, North Carolina State University may  
2 continue to self-perform any of the projects listed in this section. The projects are subject to the  
3 requirements of Part 2 of Article 3B of Chapter 143 of the General Statutes, including any of  
4 the requirements in the statutes repealed or amended by this section. The authorized projects  
5 are:

- 6           (1)     The Phytotron Energy Savings Performance Contract authorized pursuant to  
7                 Section 9.6D of S.L. 2011-145 and S.L. 2012-164.  
8           (2)     An energy conservation measure for which a request for proposal has been  
9                 issued prior to December 31, 2013, and financing has been put in place by  
10                December 31, 2014.

11           **SECTION 5.** This act is effective when it becomes law.