

2012 Performance Contracting Annual Report

Citation of Law or Resolution:	GS: 143-64.17H
Section Number:	
Due Date:	Dec. 1, 2012
Submission Date:	Nov. 26, 2011

Receiving Entities:

The Joint Legislative Commission on Governmental Operations

Submitting Entity:

The North Carolina Energy Office in the Department of Commerce

2012 Performance Contracting Annual Report

Summary:

A Performance Contract or Guaranteed Energy Savings Contract is a design-build process with a single point of responsibility. An Energy Service Company, pre-qualified by the State Energy Office, designs and proposes a package of energy cost reduction measures, installs or implements those cost reduction measures, and guarantees the savings of the cost reductions. The owner pays for the package over time using the stream of revenue provided by the guaranteed energy reduction measures.

Since inauguration of Performance Contracting in North Carolina state government, construction has been completed on six performance contracts with saving results available for four. Actual cumulative energy savings have exceeded guaranteed estimates by nearly \$410,000. That trend is expected to be reflected in the other projects that are moving through the process.

Six contracts have been approved by the Council of State and are in the construction phase. An additional nine performance contracts are proceeding with Request for Proposals (RFP) and Investment Grade Audits. Two applications to the SEO have been approved to begin the RFP phase. The 23 contracts listed represent an estimated investment of approximately \$308 million. The current cap on performance contracts is \$500 million.

The projects that completed construction after 1/1/2011 or are in construction now have provided employment for approximately 720 people.

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

A State governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the State Energy Office of the Department of Commerce within 30 days of the date the contract is entered into. In addition, within 60 days after each annual anniversary date of a guaranteed energy savings contract, the State governmental unit must report the status of the contract to the State Energy Office, including any details required by the State Energy Office. The State Energy Office shall compile the information for each fiscal year and report it to the Joint Legislative Commission on Governmental Operations and to the Local Government Commission annually by December 1. In compiling the information, the State Energy Office shall include information on the energy savings expected to be realized from a contract and shall evaluate whether expected savings have in fact been realized.

The table below shows the status of all performance contracts in process and complete.

Agency	Estimated Project \$	Actual Project \$	Project Status	Vendor
DOA Museum of Art		\$4,966,763	Fifth guarantee year complete	Trane
DOA downtown complex		\$21,436,007	Fourth guarantee year complete	Pepco
UNC Greensboro		\$5,808,994	Third guarantee year complete	Trane
Appalachian State University		\$5,430,596	First Guarantee year complete	Pepco
UNC Wilmington		\$4,542,387	First Guarantee year complete	Trane
NC State University		\$19,700,703	Guarantee period began 8/1/2012	Schnieder
NC State University (Cogen)		\$59,582,948	Construction 75% complete	Ameresco
NC Central University		\$6,532,959	Construction 95% complete	Chevron
UNC Pembroke		\$4,671,851	Construction 90% complete	Siemens
Winston Salem State University		\$6,517,358	Construction 75% complete	Siemens
Elizabeth City State University		\$5,621,820	Construction 100% complete	Honeywell
Department of Public Safety		\$15,801,217	COS Approved 6/5/2012	Noresco
UNC Charlotte	\$10,189,490		IGA in process	Ameresco
Department of Transportation	\$7,122,635		IGA in process	Trane
UNC Chapel Hill	\$70,000,000		IGA in process	Trane
NC A&T	\$6,749,133		ESCO selected	Noresco
Appalachian State University 2	\$12,400,000		ESCO selected	Pepco
UNC Wilmington 2	\$13,927,408		ESCO selected	Ameresco
UNC TV	\$1,330,775		ESCO selected	Pepco
UNC GA Spangler Building	\$808,887		ESCO selected	Pepco
Fayetteville State University	\$4,500,000		RFP Closed	
UNC GA lighting	\$15,120,000		application approved	
DHHS Caswell Center	\$5,000,000		application approved	
Sub-Totals	\$147,148,328	\$160,613,603		
Total potential investment	\$307,761,931			

IGA = Investment Grade Audit

ESA = Energy Services Agreement

Details on the specific contracts that are approved follow:

Museum of Art:

Agency: Department of Administration

ESCO: Trane Comfort Solutions Inc

Amount: \$5,808,994 **Rate:** 3.608%

Guarantee period started: February 1, 2007

Financing: SunTrust Banks, Inc.

Term: 12 years

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1	\$ 578,389	\$ 592,848	\$ 14,459	Industrial Extension Service
2	\$ 608,020	\$ 620,707	\$12,686	SCO
3	\$ 580,338	\$ 598,697	\$18,359	SCO
4	\$ 570,759	\$ 599,242	\$ 28,483	SCO
5	\$566,624	\$584,055	\$17,431	SCO

Downtown Complex:

Agency: Department of Administration

Facility: (18 buildings)

ESCO: PEPCO Energy Services

Amount: \$ 21,436,007 **Rate:** 3.64%

Guarantee period started: May 1, 2008

Financing: Banc of America

Term: 12 years

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1	\$ 2,190,293	\$ 2,238,191	\$ 47,901	EMC
2	\$ 2,250,527	\$ 2,349,168	\$ 98,641	EMC
3	\$2,312,416	\$2,348,275	\$35,859	EMC
4	\$2,376,008	\$2,404,746	\$28,738	Validation incomplete

UNC at Greensboro:

Facility: Graham Building, Mossman Administration Building, Bryan Business & Education Building, Jackson Library and McIver Chiller Plant

ESCO: Trane Comfort Solutions Inc

Amount: \$ 5,808,994 **Rate:** 3.608%

Guarantee period started: September 1, 2008

Financing: Banc of America

Term: 12 years

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1	\$ 548,474	\$ 565,088	\$16,614	Engineering Economics Inc.
2	\$548,474	\$557,632	\$9,158	Engineering Economics Inc.
3	\$569,440	\$625,765	\$56,325	Engineering Economics Inc.

Appalachian State University:

Facility: Farthing Auditorium, Walker Hall, Raley Hall, Thomas Hall, Scott Hall, Varsity Gymnasium, Holmes Convocation Center, Physical Plant Buildings, Procurement Services, Printing & Publication Warehouse and Water Treatment Plant

ESCO: PEPCO Energy Services

Financing: SunTrust Banks, Inc.

Amount: \$ 5,430,596 **Rate:** 5.1% **Term:** 12 years

Guarantee period started: March 31, 2011

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1	\$628,816	\$652,803	\$23,987	ASU

UNC at Wilmington:

Facility: Deloach Hall, Kenan Auditorium, Kenan Hall, Randall Library, King Hall, Westside Hall, Westside Energy Plant, Alderman Hall, James Hall, and Hoggard Hall

ESCO: Trane Comfort Solutions

Financing: BB&T

Amount: \$ 4,542,387 **Rate:** 3.97%* **Term:** 20 years

Guarantee period started: October 1, 2011**

* August 2010, the interest rate was negotiated from 4.97% to 3.97%.

** Reconciliation report not available at the time of Annual Report generation

NC State University:

Facility: Cox Hall, Poe Hall, Tompkins Hall, Caldwell Hall, Winston Hall, College of Textiles, McKimmon Center, Monteith Research Center, Research 1, Dabney Hall, Carmichael Gym, Structures Lab, and MRC Parking Garage

ESCO: Schneider Electric Buildings Buildings

Financing: BB&T

Amount: \$ 19,700,703 **Rate:** 4.97% **Term:** 20 years

Guarantee period started: August 1, 2012

NC State University Co-generation:

Facility: Combined heat and power co-generation installation at the Cates Plant, installation of two (2) new packaged boilers at the Yarbrough Plant

ESCO: Ameresco, Inc.

Financing: Banc of America

Amount: \$ 59,582,948 **Rate:** 4.07% **Term:** 16 years 2 months

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 75% complete

NC Central University:

Facility: Art Museum & C. Ruth Edwards Music Hall, B.N. Duke Auditorium & Annex, Edmonds Classroom Building, Farrison-Newton Communications Building, Fine Arts Building, Heating Plant, Mary M. Townes Science Building, Taylor Education Building, Whiting Criminal Justice Building and William Jones Building

ESCO: Chevron Energy Solutions Company.

Financing: Fifth Third Bank

Amount: \$ 6,532,959 **Rate:** 4.81% (3.13% Build America Bond - 35% subsidy) **Term:** 15 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 95% complete

UNC at Pembroke:

Facility: Jones Athletic, Livermore Library, Old Main and Oxendine Science

ESCO: Siemens Industry, Inc..

Financing: Siemens Public, Inc

Amount: \$ 4,671,851.08 **Rate:** 3.91% **Term:** 17 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 90% complete

Winston-Salem State University:

Facility: Thompson Student Center, Anderson Center, Blair Hall, Coltrane Hall, Whitaker Gym/Gaines Center, Hall Patterson Building, Hauser Student Union, O'Kelly Library, Old Maintenance Building/Heating Plant and Pegram Hall

ESCO: Siemens Industry, Inc.

Financing: Siemens Public, Inc

Amount: \$ 6,517,358 **Rate:** 3.81% **Term:** 15 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 75% complete

Elizabeth City State University:

Facility: Central Utility Plant, R. L. Vaughn Center, Jimmy R. Jenkins Science Center, Thorpe Administration, G. R. Little Library and Moore Hall

ESCO: Honeywell International

Financing: Banc of America

Amount: \$ 5,621,820 **Rate:** 4.09% **Term:** 17 years

Guarantee period started: 100% complete requires SCO final inspection

Department of Public Safety:

Facility: 83 buildings total at the three locations: Harnett CI, Nash CI and NCCIW

ESCO: Noresco LLC.

Financing: Banc of America

Amount: \$ 15,801,217 **Rate:** 2.525% **Term:** 13.5 years

Guarantee period started: Guarantee period will begin when construction is complete. Council of State approved June 5, 2012.