



North Carolina Department of Environment and Natural Resources

MEMORANDUM

TO: The Joint Legislative Commission on Governmental Operations
Department of State Treasurer Local Government Commission

FROM: J. Neal Robbins
Director of Legislative and Intergovernmental Affairs

SUBJECT: 2013 Performance contracting Annual Report

DATE: November 1, 2013

Attached for your information is the Department of Environment and Natural Resources report on Performance Contracting. This report is provided to you pursuant to § 143-64.17H which states: "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 attached study report is submitted to fulfill this requirement.

If you have any questions or need additional information, please contact me by phone at 919.707.8618 or e-mail at neal.robbins@ncdenr.gov.

cc: Department of Administration, State Construction Office
John E. Skvarla, III, Secretary, NC Department of Environment and Natural Resources
Joe Harwood, Ombudsman, NC Department of Environment and Natural Resources
Ted Bush, Director, Division of Environmental Assistance and Customer Service
Fred F Steen, Office of the Governor

2013 Performance Contracting Annual Report

Citation of Law or Resolution:	GS: 143-64.17H
Section Number:	
Due Date:	Dec. 1, 2013
Submission Date:	Nov. 1, 2013

Receiving Entities:

The Joint Legislative Commission on Governmental Operations
Department of State Treasurer Local Government Commission

Submitting Entity:

Department of Environment and Natural Resources, Utility Savings Initiative (USI) [Formerly within the State Energy Office]

2013 Performance Contracting Annual Report

Summary:

North Carolina law allows state agencies and universities to use a Performance Contracting process to implement and finance major facility upgrades that save energy and reduce utility expenditures. A Performance Contract or Guaranteed Energy Savings Contract is a design-build procurement process with a single point of responsibility. An Energy Service Company, pre-qualified by the state's Utility Savings Initiative, 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 facility's owner pays for the package over time using the stream of revenue provided by the guaranteed energy reduction measures.

Since legislative approval of Performance Contracting for North Carolina state governmental units, construction has been completed on 10 performance contracts. These 10 projects at state agencies and universities represent a facility upgrade investment of \$134.5 million. So far, there is energy savings data available for five of these completed projects. The guaranteed utility savings achieved through these five projects is paying for the project's debt retirement and annual fees, and has exceeded the contractors' guaranteed savings by \$518,600.

Summary: Performance Contracts with State Agencies and Universities		
Number of Contracts	Status	Project Investment
10	Construction complete/ guarantee phase	\$134.5 Million
5	Construction phase	\$53.9 Million
5	Investment grade audit phase	\$48.3 Million (estimated)
1	RFP selection process phase	\$5 Million (estimated)
Total 21		\$241.8 Million

Of the other performance contract projects in progress, five contracts have been approved by the Council of State and are in the construction phase. An additional five performance contracts are in the investment grade audit phase and one agency is in process of reviewing the proposals and selecting an Energy Service Contractor. The total of 21 contracts, in process or completed, represent an estimated project investment of \$241.8 million. The current legislative 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 1,310 people.

The table below shows the status of all performance contracts with state governmental units in process and complete.

Agency	Estimated Project \$	Actual Project \$	Project Status	Vendor
DOA Museum of Art		\$4,966,763	Sixth guarantee year complete	Trane
DOA Downtown Complex		\$21,436,007	Fith guarantee year complete	Pepco
UNC Greensboro		\$5,808,994	Fourth guarantee year complete	Trane
Appalachian State University		\$5,430,596	Second Guarantee year complete	Pepco
UNC Wilmington		\$4,542,387	Second Guarantee year complete	Trane
NC State University		\$19,700,703	In First Guarantee Year	Schnieder
NC State University (Cogen)		\$56,060,010	In First Guarantee Year	Ameresco
NC Central University		\$6,532,959	In First Guarantee Year	Chevron
UNC Pembroke		\$4,671,851	In First Guarantee Year	Siemens
Elizabeth City State University		\$5,397,647	In First Guarantee Year	Honeywell
Winston Salem State University		\$6,517,358	Construction 95% complete	Siemens
Department of Public Safety		\$15,801,217	Construction 30% complete	Noresco
UNC Charlotte		\$8,443,099	Construction 17% complete	Ameresco
Appalachian State University 2		\$16,499,917	Construction 8% complete	Pepco
Deatment of Transportation		\$6,703,727	Construction 3% complete	Trane
NC A&T	\$6,749,133		IGA in Progress	Noresco
UNC Wilmington 2	\$13,927,408		IGA in Progress	Ameresco
Fayetteville State University	\$4,500,000		IGA in progress	Trane
UNC GA lighting	\$15,120,000		IGA in progress	JCI
Winston Salem State University 2	\$8,000,000		IGA in progress	Honeywell
DHHS Caswell Center	\$5,000,000		RFP in progress	TBD
Sub-Totals	\$53,296,541	\$188,513,235		
Total potential investment	\$241,809,776			

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: \$4,966,763 **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
6	\$ 560,298	\$ 582,224	\$ 21,926	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: Bank 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	EMC
5	\$ 2,441,348	\$ 2,462,902	\$ 21,554	*

*Third party validation not complete at time of report

UNC 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: Sept. 1, 2008

Financing: Bank 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	\$ 548,474	\$ 604,799	\$ 56,325	Engineering Economics Inc.
4	\$ 548,474	\$ 597,590	\$ 49,116	*

*Third party validation not complete at time of report

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
2	\$ 649,216	\$ 656,509	\$ 7,293	ASU

UNC 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: Oct. 1, 2011**

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1	\$ 333,566	\$ 343,620	\$ 10,054	

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

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

Financing: BB&T

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

Guarantee period started: Aug. 1, 2012**

Guaranteed Energy Savings

Year	Guaranteed \$	Actual \$	Difference \$	Validated by
1				

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

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: Bank of America

Amount: \$ 56,060,010 **Rate:** 4.07% **Term:** 16 years 2 months

Guarantee period started: Aug. 17, 2012

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: April 1, 2013

UNC 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: June 1, 2013

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: Bank of America

Amount: \$ 5,397,647 **Rate:** 4.09% **Term:** 17 years

Guarantee period started: Dec. 10, 2012

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 90% complete

Department of Public Safety:

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

ESCO: Noresco LLC.

Financing: Bank of America

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

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 30% complete.

UNC Charlotte:

Facility: Cameron, Colvard, Fretwell Friday, Reese, Storrs, Steam Plant and Regional Utility Plant 2.

ESCO: Ameresco, Inc.

Financing: Ameresco, Inc

Amount: \$ 8,443,099 **Rate:** 4.70% (1.8% QECCB) **Term:** 15.75 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 17% complete

Appalachian State University (2):

Facility: LS Dougherty, Wey Hall, McKinney Alumni Center, Quinn Rec Ctr, BB Dougherty Admin, Miles Annas, DD Dougherty Hall, Founders Hall, Broyhill Music, Turchin Center, Rankin North, Rankin West, Rankin South, CAP Science, Student Rec Ctr, Anne Belk Hall, Holmes Center, Owens Field House, Appalachian House, Chapel Wilson, University Hall, J. C. Greene, Smith Wright Hall and New Belk Library

ESCO: PEPCO Energy Services

Financing: TD Equipment Finance.

Amount: \$ 16,499,917 **Rate:** 1.994% **Term:** 13 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 8% complete

Department of Transportation:

Facility: Highway Building, Olivia Raney Building, Century Center A, and Century Center B Buildings

ESCO: Trane US, Inc.

Financing: US Bancorp.

Amount: \$ 6,703,727 **Rate:** 2.405% **Term:** 16 years

Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 3% complete