

North Carolina Department of Environmental Quality

Pat McCrory
Governor

Donald R. van der Vaart
Secretary

January 7, 2016

MEMORANDUM

TO: JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL OPERATIONS
The Honorable Tim Moore, Co-Chair
The Honorable Phil Berger, Co-Chair

DEPARTMENT OF STATE TREASURER LOCAL GOVERNMENT COMMISSION
Treasurer Janet Cowell, Chairman

FROM: Matthew Dockham, Director of Legislative Affairs

SUBJECT: Performance Contracting Annual Report

DATE: January 7, 2016

Pursuant to G.S. 143-64.17H, 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. Please consider the attached as the formal submission this report.

If you have any questions or need additional information, please contact me by phone at (919) 707-8618 or via e-mail at matthew.dockham@ncdenr.gov.

cc: Ted Bush, Director, DEACS, NCDEQ
Jenny Kelvington, Senior Energy Policy Advisor, NCDEQ
Donald van der Vaart, Secretary, NCDEQ
State Construction Office, NCDOA

2015 Performance Contracting Annual Report

Citation of Law or Resolution: GS: 143-64.17H
Section Number:

Receiving Entities:

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

Submitting Entity:

Department of Environment and Natural Resources,
Division of Environmental Assistance and Customer Service
Utility Savings Initiative (USI)

2015 Performance Contracting Annual Report

Executive Summary:

North Carolina law allows state agencies and universities to utilize the Performance Contracting process to implement and finance major facility upgrades which 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 (ESCO), pre-qualified by the state's Utility Savings Initiative, designs and proposes a package of utility cost reduction measures, installs or implements those cost reduction measures, provides measurement and verification of the savings annually for the duration of the contract and guarantees the dollar 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 twelve performance contracts. An overview of these contracts is presented in the below table.

Summary: Performance Contracts with State Agencies and Universities		
Number of Contracts	Status	Project Investment
12	Construction complete/ guarantee phase	\$150 Million
6	Construction phase	\$80 Million
2	Investment grade audit phase	\$44 Million (estimated)
2	RFP selection process phase	TBD
Total 22		\$274 Million

The actual utility savings to date achieved by these projects is greater than \$47 million which will meet the debt retirement schedule, pay the annual fees and have exceeded the ESCO guaranteed amount by \$3.8 million. As noted in the table above the 22 contracts, in process or complete, represent an estimated project investment of just less than \$274 million. The current legislative cap on performance contracts is \$500 million.

The projects that completed construction or are in construction now have provided employment for in excess of 2,000 people. The Utility Savings Initiative (USI) staff provides technical assistance and guidance to public facilities throughout the Performance Contracting process. USI provides technical reviews during contract development and approval process and requests final project approval from the Council of State for agency and university projects.

The table below shows the status of all performance contracts with state governmental units in process and complete as of June 30, 2015.

Summary of All State Performance Contracts				
Agency	Estimated Project \$	Actual Project \$	Project Status	ESCO
DOA Museum of Art		\$4,966,763	Year 8 of 12 complete	Trane
DOA Downtown Complex		\$21,436,007	Year 7 of 12 complete	Pepco
UNC Greensboro		\$5,808,994	Year 6 of 12 complete	Trane
Appalachian State University		\$5,430,596	Year 4 of 12 complete	Pepco
UNC Wilmington		\$4,542,387	Year 4 of 20 complete	Trane
NC State University		\$19,700,703	Year 3 of 19 complete	Schnieder
NC State University (Cogen)		\$56,060,010	Year 3 of 16 complete	Ameresco
NC Central University		\$6,532,959	Year 2 of 15 complete	Chevron
UNC Pembroke		\$4,671,851	Year 2 of 17 complete	Siemens
Elizabeth City State University		\$5,397,647	Year 2 of 17 complete	Honeywell
Winston Salem State University		\$6,517,358	Year 1 of 15 complete	Siemens
UNC Charlotte		\$8,443,099	Year 1 of 16 complete	Ameresco
Department of Public Safety		\$15,801,217	Construction 99% complete	Noresco
Appalachian State University 2		\$16,499,917	Construction 90% complete	Pepco
Department of Transportation		\$6,703,727	Construction 99% complete	Trane
Fayetteville State University		\$10,400,044	Construction 90% complete	Trane
NC A&T		\$4,183,985	Construction 90% complete	Noresco
UNC GA lighting		\$26,575,725	Construction 60% complete	JCI
UNC Wilmington 2	\$13,927,408		IGA in progress	Ameresco
DOT lighting	\$30,000,000		IGA in progress	Trane
DEQ Reedy Creek Lab	TBD		RFP in progress	
NC Ports Authority	TBD		RFP in progress	
Sub-Totals	\$43,927,408	\$229,672,989		
Total potential investment	\$273,600,397			
IGA = Investment Grade Audit				
ESA = Energy Services Agreement				

Details for Approved Projects:

PC_ID 0-0001

Government Unit DOA Museum of Art

ESCO Trane Comfort Solutions

Bank Sun Trust Bank

Rate 3.6%

Term 12.00

Project \$ \$4,966,763

Financed \$ \$4,966,763

Total Savings \$5,000,000

Bldg_count 2

Bldg_sf 164,670

Guarantee start 2/1/2007

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$578,389	\$592,848	\$14,459	Industrial Extension Service
2	\$608,020	\$620,707	\$12,687	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
7	\$575,944	\$587,275	\$11,331	SCO
8	\$526,622	\$549,732	\$23,110	
TOTAL	\$4,566,994	\$4,714,780	\$147,786	

PC_ID 0-0002

Government Unit DOA Downtown

ESCO Pepco Energy Services

Bank Bank of America

Rate 3.6%

Term 12.00

Project \$ \$21,436,007

Financed \$ \$21,436,007

Total Savings \$25,000,000

Bldg_count 20

Bldg_sf 3,060,482

Guarantee start 5/1/2008

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$2,190,293	\$2,238,191	\$47,898	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	EMC
6	\$2,508,485	\$2,802,085	\$293,600	
7	\$2,577,468	\$2,675,570	\$98,102	
TOTAL	\$16,656,545	\$17,280,937	\$624,392	

PC_ID 0-0003

Government Unit Department of Public Safety

ESCO Noresco LLC

Bank Bank of America

Rate 2.5%

Term 13.50

Project \$ \$15,801,217

Financed \$ \$15,801,217

Total Savings \$22,254,155

Bldg_count 83

Bldg_sf 820,897

Guarantee start - When construction complete

Construction 95% complete

PC_ID 0-0004

Government Unit Department of Transportation ESCO Trane US
 Bank US Bancorp Rate 2.4% Term 16.00
 Project \$ \$6,703,727 Financed \$ \$6,703,727 Total Savings \$7,500,000
 Bldg_count 4 Bldg_sf 524,570 Guarantee start - When construction complete

Construction 99% complete

PC_ID 1-0001

Government Unit UNC Greensboro ESCO Trane Comfort Solutions
 Bank Bank of America Rate 3.6% Term 12.00
 Project \$ \$5,808,994 Financed \$ \$5,808,994 Total Savings \$7,200,000
 Bldg_count 6 Bldg_sf 446,000 Guarantee start 9/1/2008

Year	Guarantee \$	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	Engineering Economics Inc.
5	\$548,474	\$569,847	\$21,373	Engineering Economics Inc.
6	\$548,474	\$549,916	\$1,442	Engineering Economics Inc.
TOTAL	\$3,290,844	\$3,444,872	\$154,028	

PC_ID 1-0002

Government Unit Appalachian State University 1 ESCO Pepco Energy Services
 Bank Sun Trust Bank Rate 5.1% Term 12.00
 Project \$ \$5,430,596 Financed \$ \$5,430,596 Total Savings \$7,000,000
 Bldg_count 12 Bldg_sf 1,100,000 Guarantee start 3/31/2011

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$628,816	\$652,803	\$23,987	ASU
2	\$649,216	\$656,509	\$7,293	ASU
3	\$670,285	\$682,262	\$11,977	ASU
4	\$692,044	\$723,002	\$30,958	
TOTAL	\$2,640,361	\$2,714,576	\$74,215	

PC_ID 1-0003

Government Unit NC State University 1

ESCO Schneider Electric Buildings

Bank BB&T

Rate 5.0%

Term 19.00

Project \$ \$19,700,703

Financed \$ \$19,700,703

Total Savings \$25,000,000

Bldg_count 13

Bldg_sf 1,619,574

Guarantee start 8/1/2012

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$1,560,110	\$1,638,479	\$78,369	Eaton corporation
2	\$1,591,312	\$1,830,812	\$239,500	Celtic Energy
3	Data not due at time of report			
TOTAL	\$3,151,422	\$3,469,291	\$317,869	

PC_ID 1-0004

Government Unit UNC Wilmington 1

ESCO Trane Comfort Solutions

Bank BB&T

Rate 4.0%

Term 20.00

Project \$ \$4,542,387

Financed \$ \$4,542,387

Total Savings \$6,000,000

Bldg_count 10

Bldg_sf 285,501

Guarantee start 10/1/2011

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$333,566	\$343,620	\$10,054	Celtic Energy
2	\$342,572	\$358,080	\$15,508	Celtic Energy
3	\$351,822	\$358,473	\$6,651	
TOTAL	\$1,027,960	\$1,060,173	\$32,213	

PC_ID 1-0005

Government Unit NC Central University

ESCO OpTerra Energy Services

Bank Fifth Third Bank

Rate 3.1%

Term 15.00

Project \$ \$6,532,959

Financed \$ \$6,532,959

Total Savings \$7,500,000

Bldg_count 11

Bldg_sf 385,950

Guarantee start 4/1/2013

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$576,924	\$576,924	\$0	
2	\$589,432	\$590,355	\$923	
TOTAL	\$1,166,356	\$1,167,279	\$923	

PC_ID 1-0006

Government Unit NC State University 2

ESCO Ameresco

Bank Bank of America

Rate 4.1%

Term 16.20

Project \$ \$56,060,010

Financed \$ \$56,060,010

Total Savings \$60,000,000

Bldg_count 2

Bldg_sf 26,491

Guarantee start 8/17/2012

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$4,275,774	\$5,342,935	\$1,067,161	Sebesta
2	\$4,588,550	\$5,527,040	\$938,490	Sebesta
3	Data no due at time of report			
TOTAL	\$8,864,324	\$10,869,975	\$2,005,651	

PC_ID 1-0007

Government Unit UNC Pembroke

ESCO Siemens Industry

Bank Siemens Public

Rate 3.9%

Term 17.00

Project \$ \$4,671,851

Financed \$ \$4,671,851

Total Savings \$6,000,000

Bldg_count 4

Bldg_sf 304,810

Guarantee start 6/1/2013

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$380,308	\$400,090	\$19,782	
2	Data not available at time of report			
TOTAL	\$380,308	\$400,090	\$19,782	

PC_ID 1-0008

Government Unit Winston-Salem State University

ESCO Siemens Industry

Bank Siemens Public

Rate 3.8%

Term 15.00

Project \$ \$6,517,358

Financed \$ \$6,517,358

Total Savings \$7,500,000

Bldg_count 10

Bldg_sf 551,630

Guarantee start 5/15/2014

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	Data not available at time of report			
TOTAL				

PC_ID 1-0009

Government Unit Elizabeth City State University

ESCO Honeywell International

Bank Bank of America

Rate 4.1%

Term 17.00

Project \$ \$5,397,647

Financed \$ \$5,397,647

Total Savings \$6,500,000

Bldg_count 6

Bldg_sf 274,700

Guarantee start 12/10/2012

Year	Guarantee \$	Actual \$	Difference	Validated_by
1	\$436,768	\$494,011	\$57,243	
2	\$445,503	\$505,053	\$59,550	
TOTAL	\$882,271	\$999,064	\$116,793	

PC_ID 1-0010

Government Unit UNC Charlotte

ESCO Ameresco

Bank Ameresco

Rate 1.8%

Term 15.75

Project \$ \$8,443,099

Financed \$ \$8,443,099

Total Savings \$16,000,000

Bldg_count 8

Bldg_sf 675,666

Guarantee start 4/23/2014

Year

Guarantee \$

Actual \$

Difference

Validated_by

1

\$667,589

\$978,633

\$311,044

TOTAL

\$667,589

\$978,633

\$311,044

PC_ID 1-0011

Government Unit Appalachian State University 2

ESCO Pepco Energy Services

Bank TD Equipment Finance

Rate 2.0%

Term 13.00

Project \$ \$16,499,917

Financed \$ \$16,499,917

Total Savings \$25,000,000

Bldg_count 23

Bldg_sf 1,800,000

Guarantee start - When construction complete

Construction 99% complete

PC_ID 1-0012

Government Unit Fayetteville State University

ESCO Trane US

Bank Bank of America

Rate 3.6%

Term 17.00

Project \$ \$10,400,044

Financed \$ \$10,400,044

Total Savings \$20,000,000

Bldg_count 22

Bldg_sf 929,886

Guarantee start - When construction complete

Construction 98% complete

PC_ID 1-0013

Government Unit NC Agricultural & Technical State

ESCO Noresco LLC

Bank Bank of America

Rate 3.7%

Term 17.25

Project \$ \$4,183,985

Financed \$ \$4,183,985

Total Savings \$6,000,000

Bldg_count 17

Bldg_sf 1,068,379

Guarantee start - When construction complete

Construction 95% complete

PC_ID 1-0014

Government Unit	UNC General Administration		ESCO	JCI
Bank	Banc of America Public Capital	Rate	1.8%	Term 7.00
Project \$	\$26,575,725	Financed \$	\$26,575,725	Total Savings \$29,208,802
Bldg_count		Bldg_sf	15,000,000	Guarantee start - When construction complete

Construction 81% complete

	Guarantee \$	Actual \$	Difference
REPORT TOTAL	\$43,294,974	\$47,099,670	\$3,804,696

Pursuant to G.S. 143-64.17L. North Carolina State University is permitted "to implement an energy conservation measure without entering into a guaranteed energy savings contract". G.S. 143-64-17H requires the status of these projects to be included in this report.

PC_ID 1-0015

Government Unit	NC State University 3		ESCO	self
Bank		Rate	4.5%	Term 15.00
Project \$	\$6,200,000	Financed \$	\$6,200,000	Total Savings \$6,200,000
Bldg_count	1	Bldg_sf		Guarantee start 10/1/2014
Year		Guarantee \$	Actual \$	Difference
				Validated_by

Project reconciliation not due at the time of this report