

2011 Performance Contracting Annual Report

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Receiving Entities:

The Joint Legislative Commission on Governmental Operations

Submitting Entity:

The North Carolina Energy Office in the Department of Commerce

2011 Performance Contracting Annual Report

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 energy reduction measures.

§ 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.

Construction has been completed on five performance contracts. The actual energy savings are exceeding the guaranteed savings in all of these contracts. Six contracts have been approved by Council of State and are in the construction phase. An additional six performance contracts are proceeding with Request for Proposals and Investment Grade Audits. The seventeen contracts listed represent an estimated investment of \$213 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 610 people.

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	Fourth guarantee year complete	Trane
DOA downtown complex		\$21,436,007	Third guarantee year complete	Pepco
UNC Greensboro		\$5,808,994	Third guarantee year complete	Trane
UNC Wilmington		\$4,542,387	Construction complete 10/1/2011	Trane
Appalachian State University		\$5,430,596	Construction complete 3/31/2011	Pepco
NC State University		\$19,700,703	Construction 99% complete	Schnieder
NC State University (Cogen)		\$59,582,948	Construction 20% complete	Ameresco
NC Central University		\$6,532,959	Construction 20% complete	Chevron
UNC Pembroke		\$4,671,851	Approved 7/12/2011	Siemens
Winston Salem State University		\$6,517,358	Approved 9/13/2011	Siemens
Elizabeth City State University		\$5,621,820	Approved 9/13/2012	Honeywell
Department of Correction	\$14,920,040		ESA being negotiated	Noresco
Western Carolina University			IGA Terminated	Con Ed
UNC Asheville			IGA Terminated	Ameresco
UNC Charlotte	\$10,000,000		IGA in process	Ameresco
Department of Transportation	\$9,766,628		ESCO selected	Trane
East Carolina University	\$12,000,000		ESCO selection in process	
UNC Chapel Hill	\$20,000,000		Application approved	
Fayetteville State University	\$2,051,454		Application approved	
Sub-Totals	\$68,738,122	\$144,812,386		
Total potential investment	\$213,550,508			

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

Downtown Complex includes legislative buildings:

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	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 **Financing:** Banc of America
Amount: \$ 5,808,994 **Rate:** 3.608% **Term:** 12 years
Guarantee period started: September 1, 2008

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.

Reconciliation report for year three is due 11/30/2011

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%.

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

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 America's **Financing:** BB&T
Amount: \$ 19,700,703 **Rate:** 4.97% **Term:** 20 years
Guarantee period started: Guarantee period will begin when construction is complete. Project under construction approximately 99% complete

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 20% 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 20% 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 18% 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. Council of State approved September 13.

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: Guarantee period will begin when construction is complete. Council of State approved September 13.