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

FROM: Matthew Dockham  
Director of Legislative and Intergovernmental Affairs

SUBJECT: 2015 Performance Contracting Annual Report

DATE: November 1, 2015

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Attached for your information is the Department of Environmental Quality 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 Environment and Natural Resources [currently the Department of Environmental Quality] 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.” As referenced in the statute above the State Energy Office refers to the Department of Environmental Quality Utility Savings Initiative Section. 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 via e-mail at [matthew.dockham@ncdenr.gov](mailto:matthew.dockham@ncdenr.gov).

cc: Secretary, Donald R. van der Vaart, NC Department of Environmental Quality  
Department of Administration State Construction Office



## 2015 Performance Contracting Annual Report

**Citation of Law or Resolution:** GS: 143-64.17H  
**Section Number:**  
**Due Date:** Dec. 1, 2015  
**Submission Date:** Nov. 1, 2015

**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
<b>Total 22</b>		<b>\$274 Million</b>

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		
<b>Total potential investment</b>	<b>\$273,600,397</b>			
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**

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				

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