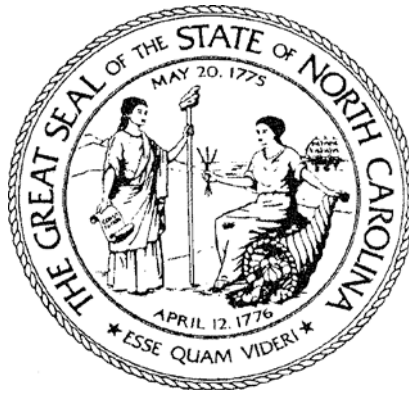


2024 Guaranteed Energy Savings Contracts Annual Report

A Report to the
Joint Legislative Oversight Committee on
Agriculture and Natural and Economic Resources;
Fiscal Research Division; and
Local Government Commission

Pursuant to §143-64.17H



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Preface:

This report contains the Department of Environmental Quality’s annual status update to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources; Fiscal Research Division; and Local Government Commission for guaranteed energy savings contracts pursuant to G.S. §143-64.17H. As required, this report contains information pertaining to Guaranteed Energy Savings Contracts that are executed for state-owned buildings. The contracts evaluate, recommend, or implement energy conservation measures that result in guaranteed monetary savings exceeding the costs of designing, installing, repairing, or replacing equipment.

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List of Acronyms

Acronym	Definition
DAC	Department of Adult Corrections
DEQ	Department of Environmental Quality
DOA	Department of Administration
DNCR	Department of Natural and Cultural Resources
DPS	Department of Public Safety
ECM	Energy Conservation Measure
EO80	Executive Order Number 80
ePX	eProject eXpress
ESA	Energy Service Agreement
ESC	NC Chapter of the Energy Services Coalition
ESCO	Energy Services Company
G.S.	North Carolina General Statute
GESPC	Guaranteed Energy Savings Performance Contract
IAQ	Indoor Air Quality
IGA	Investment Grade Audit
IJA	Infrastructure Investment and Jobs Act
IRA	Inflation Reduction Act
LED	Light Emitting Diode
LGC	Local Government Commission
M&V	Measurement and Verification
NC	North Carolina
NCAC	North Carolina Administrative Code
OSBM	Office of State Budget and Management
RFP	Request for Proposal
SCO	State Construction Office
SEO	State Energy Office
UNC	University of North Carolina
USI	Utility Savings Initiative

Definitions

Qualified Provider means a person or business experienced in the design, implementation, and installation of energy conservation measures who has been prequalified by the State Energy Office according to the prequalification criteria established under the Department of Administration rules contained in North Carolina Administrative Code, Title 01, Subchapter 41B, *Guaranteed Energy Savings Contracts*.

Qualified Reviewer means an architect or engineer who is (i) licensed in this state and (ii) experienced in the design, implementation, and installation of energy efficiency measures.

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- Appendix B: General Statute Chapter 143, Article 3B, *Conservation of Energy, Water, and Other Utilities in Government Facilities*.
- Appendix C: North Carolina Administrative Code, Title 01, Subchapter 41B, *Guaranteed Energy Savings Contracts*
- Appendix D: General Statute Chapter 142, Article 8, *State Energy Conservation Finance Act*
- Appendix E: General Statute Chapter 116-30.3B, *Energy Conservation Savings*
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- Appendix G: List of Qualified Providers in North Carolina

I. Executive Summary

Since 2002, General Statute (G.S.) §143-64 allows for state agencies and universities to utilize a Guaranteed Energy Savings Performance Contract (GESPC) process to implement and finance major facility upgrades that reduce utility consumption and costs. Under this law, energy savings resulting from the performance of the contract must equal or exceed the total cost of the contract. Additionally, contracts may not exceed a term of 20 years from the date of the installation and acceptance by the state governmental unit (i.e., state agencies or the University of North Carolina (UNC) System). This legislative authority has resulted in 24 total GESPCs executed among governmental agencies and private energy service providers since 2005. Of those, five were successfully completed between FY2019 to FY2023 and exceeded the total guaranteed project savings by more than \$2.2 million. The remaining 19 projects are in progress and represent more than \$443 million in avoided utility expenditures over the life of the projects. The Department of Adult Corrections (DAC) was approved for their \$38.7 million performance contract with Schneider Electric in September 2023; the project is currently in construction and its first performance year is expected to begin in FY2025-26. This GESPC is expected to provide guaranteed savings of more than \$60 million over the life of its twenty-year performance period. DAC also recently released an RFP for a GESPC at Central Prison in Raleigh; the Investment Grade Audit (IGA) and subsequent contract approval request will likely occur in mid/late 2025. The Department of Natural and Cultural Resources (DNCR) was working with Siemens to establish a performance contract at nine of their facilities across the state; DNCR decided not to pursue this contract in May 2024.

State governmental units with executed GESPCs are required to report annual summaries of guaranteed savings to the Department of Environmental Quality (DEQ), State Energy Office (SEO). For FY2023-24, M&V data for 15 of the 19 active projects were reported by state governmental units in accordance with G.S. §143-64.17H¹. The SEO estimates that of the projected \$443 million in guaranteed savings for currently executed GESPCs, more than \$220 million has been saved to date², however of the 15 projects that submitted M&V data, only 8 had their savings verified by third-party reviewers as required by G.S. §143-64.17M. The remaining unconfirmed savings are due to factors such as reporting entities submitting M&V reports that (1) do not have third-party verification; (2) contain stipulated savings; (3) are preliminary draft values; and/or (4) are in the process of obtaining third-party reviews for their current performance year. This year's values are updated and reported to the best of SEO's ability, including obtaining and properly storing official contract documents and M&V reports, and maintaining consistent communication with both the ESCO and state governmental unit of the GESPC year-round in preparation for this annual reconciliation. Despite the SEO's efforts, 3 of the 19 active GESPCs did not provide an annual M&V report, and of the 15 projects that did provide M&V reports, 7 did not provide third-party verification. The SEO continues to stress the importance of proper documentation of GESPCs both to the ESCO and state governmental unit as mandated by legislation. The ESCO recertification process that is taking place in late 2024/early 2025 will address these requirements and document methods toward improved communication and processes for all parties involved in the GESPC process, including the importance of proper

¹ M&V data for the Department of Adult Corrections GESPC was not submitted for FY2023-24 because the project is still under construction.

² Totals include pass-through values from previous years for Elizabeth City State University and North Carolina Central University since no M&V reports were filed with DEQ.

documentation, M&V processes, and third-party verification.

The five GESPC projects completed thus far achieved more than \$2.2 million above guaranteed savings, and ongoing projects have totaled nearly \$37 million above guaranteed savings throughout the period of performance. Given this demonstrated success, performance contracting should continue to be looked to as a cost-effective financing method for implementing energy efficiency projects at state-owned buildings. The SEO continues to provide education about the GESPC process and promotes implementation of GESPCs for improving energy efficiency within state-owned buildings by providing technical assistance, training, and direction throughout the process. The SEO joined the Department of Energy's ESPC Campaign in early 2024 as a Campaign Leader; in doing so, North Carolina proved its commitment to improving processes, increasing awareness of the benefits of performance contracting, and collaborating with industry professionals through resource sharing and partnerships. The SEO also continues to engage with the North Carolina chapter of the Energy Services Coalition (ESC) via regular meetings and communications to ensure the SEO and the Energy Service Companies' (ESCO) community are aligned in addressing market barriers and methods to jointly promote GESPCs within eligible governmental units in North Carolina. The SEO is committed to promoting the use of performance contracting to achieve both energy reduction goals and financing needs for eligible entities throughout North Carolina.

II. Purpose & Background

In 2002, North Carolina (NC) codified G.S. §143-64.17 allowed for all local and state governmental units, including state agencies and universities, to utilize the GESPC process to implement and to finance major facility upgrades that save energy and reduce utility expenditures. A GESPC is a design-build procurement process where the single point of responsibility is held by an ESCO. ESCOs are prequalified by the SEO under the Department of Administration (DOA) rules contained in North Carolina Administrative Code (NCAC), Title 01, Subchapter 41B, *Guaranteed Energy Savings Contracts*. Based on these rules, an ESCO, in collaboration with the governmental unit, works to design and to propose a package of energy conservation measures (ECMs), installs the selected ECMs, provides measurement and verification (M&V) of the annual savings for the duration of the contract, and contractually guarantees the dollar savings of the energy savings. Utility budget savings resulting from the implementation of the guaranteed ECMs provide repayment of the multi-year loans executed by governmental units to finance the energy upgrades.

State governmental units conduct open solicitations for proposals and establish the final contract terms with ESCOs. Once the contracted ECM projects have been implemented, ESCOs are further required to provide annual reconciliation statements based on M&V of actual energy savings. These reconciliation statements must be submitted annually within 60 days of the annual project acceptance anniversary. State governmental units are then required to engage a qualified third-party reviewer to verify and report the ESCO calculations prior to sending a summary to the SEO along with the respective third-party review documents. The annual report is based on the annual savings guaranteed in the Energy Service Agreement (ESA) between the state governmental unit and the ESCO prior to construction and is verified in the post-implementation summary reports.

SEO staff provide technical assistance and guidance to governmental units throughout the GESPC process. In addition, the SEO conducts reviews during the contract development, implementation, and reconciliation processes.

and construction phases of each project. These reviews include recommendations to the Council of State, the Department of State Treasurer, and the Office of State Budget and Management (OSBM) for GESPCs being considered by agencies and universities. For GESPC projects undertaken by local governmental units, these reviews include recommendations to local school boards and county commissioners, and then to the Local Government Commission (LGC) who is the final approving authority for all local government GESPCs. SEO staff continue to provide support and technical assistance for all local and state governmental units and ESCOs throughout the terms of each agreement. This guidance is designed to streamline the GESPC process to identify and resolve issues prior to the approving authorities receiving a proposed project.

A. Roles and Responsibilities of Key Entities

Table 1 provides a detailed breakdown of responsibilities that entities involved with GESPC are required to perform throughout the process with reference to the corresponding legislation or rule. Appendices B, C, and D provide text corresponding to the general statutes and DOA regulations cited in Table 1.

Table 1. Roles and Responsibilities for Key Entities

Entity	Responsibility	Reference
SEO	Review Request for Proposal (RFP), proposal, cost benefit analysis and other documents prior to award.	G.S. §143- 64.17A(d1)
	Report annually on GESPCs by state governmental units, including expected savings evaluation, to the Local Government Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and Fiscal Research Division.	G.S. §143-64.17H
	Provide template for RFP solicitation documents.	01 NCAC 41B .0302
	Conduct precertification of providers for three-year intervals.	01 NCAC 41B .0400
SEO, DOA	May provide recommendations to Council of State on contracts under consideration.	G.S. §143-64.17F(c)
DOA, with SEO, State Treasurer	Adopt rules in consultation with SEO, with approval from State Treasurer.	G.S. §143-64.17F(b)
DOA State Construction Office (SCO)	Provide inspection and compliance certification if requested by state government units and community colleges.	G.S. §143-64.17K
Local Governmental Unit and LGC	Report biennially on GESPC by local government to the Joint Legislative Commission on Government Operations, and evaluate savings realized with assistance from SCO and SEO.	G.S. §143-64.17G
State Treasurer	Approve local government GESPC financing contracts, including community colleges, K–12 schools, cities, and counties.	G.S. §142, Article 8, State Energy Conservation

Entity	Responsibility	Reference
		Finance Act
	Approve security instrument from Qualified Providers.	G.S. §143-64.17B(c)
	Approve financing option.	01 NCAC 41B .0701
	Monitor \$500 million cap on aggregate outstanding amount.	G.S. §142-63
	Approve changes to Rules.	G.S. §143-64.17F(b)
OSBM	Approve and certify funds for state contracts.	G.S. §142-64; 01 NCAC 41B .0511 and .0701
Council of State, with OSBM, State Treasurer	Approve GESPC financing contracts for state government agencies and universities.	G.S. §142, Article 8, State Energy Conservation Finance Act
Governmental Unit (local, state agency, university)	Local governmental unit notifies the LGC at least 15 days in advance of issuing an RFP.	G.S. §143-64.17A(a1)
	Issue RFP, evaluate proposals, select Qualified Provider, retain Qualified Reviewer, advertise, award RFP and award, and approve contract terms and conditions.	G.S. §143-64.17A(a)
	Post advertisements for RFP and subsequent award.	G.S. §143-64.17A(a)
	Conduct vendor conferences and site visits.	01 NCAC 41B .0307
	Report contract terms to LGC and SEO.	G.S. §143-64.17G
	Report either (i) the contract and the terms of the contract or (ii) the implementation of the measure to the SEO within 30 days of the date the contract is entered into or the measure is implemented. In addition, within 60 days after each annual anniversary date of a GESPC, the state governmental unit must report the status of the contract to the SEO, including any details required by the SEO.	G.S. §143-64.17H
Qualified Provider/ESCO	Provide cost savings analysis compared to project costs for term to the state governmental unit.	G.S. §143-64.17A(d1)
	Provide security to State Treasurer.	G.S. §143-64.17B(c)
	Provide IGA when feasible including life cycle cost analysis.	G.S. §143-64.17B(f)
	Determine guaranteed savings using acceptable M&V methodology and provide annual reconciliation statements including actual, not stipulated, energy	G.S. §143-64.17B(g)

Entity	Responsibility	Reference
	and operational savings during guarantee year.	
Qualified Reviewer/ Third Party Reviewer	Evaluate proposals, provide letter with qualitative and quantitative evaluation.	G.S. §143-64.17A(b)
	Provide analysis of energy conservation measures (ECMs) prior to and post implementation.	G.S. §143-64.17M; 01 NCAC 41B .0507;
UNC Board of Governors	Authorize GESPCs for constituent institutions, and ECMs without GESPC at NC State University and UNC Chapel Hill.	G.S. §143-64.17L

III. Annual Reporting Requirements

A. G.S. §143-64.17G, *Report on guaranteed energy savings contracts entered into by local governmental units.*

A local governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the Local Government Commission and the State Energy Office of the Department of Environmental Quality. The Commission shall compile the information and report it biennially to the Joint Commission on Governmental Operations. In compiling the information, the Local Government Commission shall include information on the energy savings expected to be realized from a contract and, with the assistance of the Office of State Construction and the State Energy Office, shall evaluate whether expected savings have in fact been realized.

This provision requires the LGC to report on GESPCs entered into by local governmental units – this includes K-12 schools and community colleges. Therefore, minimal information regarding local government GESPCs is included in this report.

B. G.S. §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 or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the contract or (ii) the implementation of the measure to the State Energy Office of the Department of Environmental Quality within 30 days of the date the contract is entered into or the measure is implemented. 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 or implementation and shall evaluate whether expected savings have in fact been realized.

This legislation requires the SEO to report on all GESPCs entered into by state governmental units, specifically state agencies and UNC System entities. This report includes the energy savings expected to be realized (Total Guarantee to Date) along with an evaluation of whether the savings have in fact been realized (Total Savings to Date). Currently, a total of 19 active GESPCs exist for state agencies and UNC System entities; one of these projects is the Department of Adult Corrections GESPC which is currently under construction. Table 2 on page 11 provides a list of contract terms, reporting status, and energy savings achieved from the corresponding GESPCs for state agencies and UNC System entities. Table 3 on page 12 shows the number of completed projects and the actual savings achieved through the contract term.

As seen in Table 3 on page 12, the DOA Museum of Art project was completed in FY2019-20. During FY2020-21, the DOA's Downtown Complex along with UNC Greensboro completed their respective contract terms and achieved more than \$1.6 million above guaranteed savings. Two additional projects were completed in FY2022-23: the UNC System Office and Appalachian State University 1. Combining all five completed projects brings the total of exceeded guaranteed savings to more than \$2.2 million during the full length of the contract terms. Collectively as shown in Table 2, active projects have achieved more than \$36 million in above guaranteed savings. The success of the five completed projects along with the 19 currently active projects' total and above guaranteed savings to date demonstrates the effectiveness and value of performance contracting in North Carolina; the SEO is committed to advocating for the use of performance contracting both as a unique and effective financing and energy savings tool.

Table 2. GESPC Summary of Terms and Reporting Status of Current Project

Contract #	State-Owned Unit	Project Term Status (year)	M&V Report Received	Third-Party Verified	Total Guaranteed Savings for Contract Term	Total Guarantee to Date	Total Savings to Date	Above Guaranteed Savings to Date	ESCO
1	Appalachian State University 2	8 of 13	Yes	Yes	\$23,606,099	\$14,052,581	\$16,093,274	\$2,040,693	Constellation (formerly Pepco)
2	Department of Adult Corrections	0 of 20	N/A	N/A	\$60,036,938	<i>N/A (in construction)</i>	<i>N/A (in construction)</i>	<i>N/A (in construction)</i>	Schneider Electric
3	Department of Public Safety (now DAC)	7 of 14	Yes	In Process	\$21,180,286	\$10,348,707	\$11,696,188	\$1,347,481	Noresco
4	Department of Transportation 1	8 of 15	Yes	No	\$8,897,860	\$3,486,792	\$5,012,816	\$1,526,024	Brady Trane
5	Department of Transportation 2	5 of 15	Yes	No	\$51,295,813	\$16,320,221	\$23,428,377	\$7,108,156	Brady Trane
6	Elizabeth City State University*	11 of 17	No	No	\$9,137,823	\$4,260,510	\$4,708,392	\$447,882	Honeywell
7	Fayetteville State University	8 of 17	Yes	No	\$16,167,881	\$7,532,029	\$9,664,579	\$2,132,550	Brady Trane
8	NC Ag and Tech State University	8 of 17	Yes	No	\$6,174,110	\$2,684,963	\$2,731,817	\$46,854	Noresco
9	NC Central University	10 of 15	No	No	\$10,103,507	\$4,311,133	\$5,458,252	\$1,147,119	Engie
10	NC School of Science and Math	3 of 15	In Process	In Process	\$3,919,020	(\$321,726)	\$137,086	(\$184,640)	Brady Trane
11	NC State University 1	11 of 19	Yes	Yes	\$35,633,779	\$18,984,532	\$21,912,221	\$2,927,689	Schneider Electric
12	NC State University 2 (Cogen)	11 of 17	Yes	Yes	\$103,005,060	\$61,714,303	\$77,677,782	\$15,963,479	Ameresco
13	NC State University 3 Phytotron	9 of 15	Yes	Yes	\$9,012,635	\$5,288,286	\$4,725,420	(\$562,866)	Self-performed
14	NC State University 4 (Cogen) Centennial CCUP	5 of 18	Yes	Yes	\$36,669,402	\$8,757,715	\$8,145,610	(\$612,105)	Self-performed
15	UNC Charlotte	10 of 15	Yes	Yes	\$11,468,220	\$7,119,320	\$7,768,138	\$648,818	Ameresco
16	UNC Pembroke	11 of 17	Yes	Yes	\$7,491,431	\$4,607,779	\$5,121,321	\$513,542	Siemens
17	UNC Wilmington 1	12 of 20	Yes	No	\$8,694,471	\$4,654,100	\$5,004,929	\$350,829	Brady Trane
18	UNC Wilmington 2	6 of 16	Yes	Yes	\$9,533,977	\$3,606,215	\$4,449,428	\$843,213	Ameresco
19	Winston Salem State University	8 of 15	Yes	No	\$11,512,711	\$5,686,349	\$6,862,684	\$1,176,335	Siemens
Totals					\$443,541,023	\$183,093,809	\$220,598,314	\$36,861,053	

*Contracts and M&V documents not on file at DEQ; additional validation is required.

Table 3. GESPC Summary of Terms and Reporting Status of Completed Projects

State-Owned Unit	Project Completed (year)	Total Guaranteed Savings	Total Savings During Contract Term	Total Above Guaranteed Savings During Contract Term	ESCO
Appalachian State University 1	FY23	\$9,050,909	\$9,551,144	\$500,235	Constellation (formerly Pepco)
UNC System Office	FY23	\$29,203,975	\$29,045,792	(\$158,183)	Johnson Controls
DOA Downtown Complex	FY21	\$30,646,888	\$31,824,818	\$1,177,930	Constellation (formerly Pepco)
UNC Greensboro	FY21	\$7,200,000	\$7,646,320	\$446,320	Trane
DOA Museum of Art	FY20	\$6,498,888	\$6,779,096	\$280,208	Trane
	Total	\$82,600,660	\$84,847,170	\$2,246,510	

IV. Program Effectiveness Update

EO80 set a goal to reduce energy consumption in all state-owned buildings by at least 40 percent from fiscal year 2002-2003 levels by 2025. A comprehensive energy conservation program, the Utility Savings Initiative (USI), was established through G.S. §143-64.12 and continues to aid in achieving this goal. Accordingly, state governmental units are evaluating GESPCs as a financing option to fund the replacement of inefficient equipment, reduce energy costs, and to reach the energy reduction goal of EO80. While state governmental units directly implement building improvements when funding is available, they continue to face a long list of deferred maintenance items. As there are limited funds reserved for the repair and renovation of state-owned buildings, agencies are forced to choose between energy efficiency, deferred maintenance, and safety projects. Therefore, performance contracting provides a unique mechanism to finance energy efficiency improvements without depleting the funds required for essential building repairs and renovations.

In January 2024, the SEO assumed the pivotal role of Campaign Leader within the Department of Energy's ESPC Campaign. This decisive step not only underscores North Carolina's proactive approach in optimizing operational efficiencies but also highlights the State's unwavering dedication to championing the benefits of performance contracting. Through leading this campaign, North Carolina solidified its dedication to partnering with industry experts, fostering knowledge exchange, and cultivating symbiotic relationships that will undoubtedly steer the state towards a more sustainable and energy efficient future. Additionally, as a member of the National Association of Energy Service Companies, the SEO upholds its pledge to advocate for performance contracting to meet energy reduction objectives and financing requirements for eligible entities statewide.

The SEO is actively engaging in discussions with third-party reviewers and pre-qualified ESCOs to enhance the NC GESPC process. This collaboration takes place through external stakeholder meetings and during the ESCO recertification process, mandated every three years by 01 NCAC 41B, Section .0402. The SEO is currently undergoing the ESCO recertification process for all Qualified Providers in North Carolina during FY2024-25. To encourage proactive involvement, the ESCO recertification application for FY2020-21 included a set of targeted questions for ESCOs that had not previously engaged in promoting performance contracting or identifying energy-saving opportunities for state entities. This strategic approach stimulated internal ESCO dialogue and drove a more robust pursuit of energy-saving initiatives in North Carolina. While some ESCOs are yet to become Qualified Providers, garnering feedback remains pivotal to bolster participation. Furthermore, the SEO is actively seeking ways to amplify ESCO engagement in projects aimed at supporting disadvantaged communities within Tier 1 and Tier 2 counties, emphasizing energy efficiency, equitable clean energy access, and resilience to natural hazards. The SEO's overarching objective is to heighten ESCO involvement in North Carolina and optimize the efficacy and success of the GESPC process.

Since its implementation in 2002, 24 GESPCs have collectively amassed more than \$300 million in total savings, signifying a remarkable achievement in energy efficiency initiatives. Particularly noteworthy are the five projects finalized between FY2019 and FY2023, which together exceeded guaranteed savings by over \$2.2 million, showcasing both the effectiveness and potential for substantial returns of such projects. Additionally, the ongoing projects that commenced between FY2008 to the present have already surpassed approximately

\$37 million above the guaranteed savings threshold. It is evident that state agencies and local governments have actively engaged in the GESPC market during FY2023-24, driven by the objectives outlined in EO80 to curtail energy consumption and costs by 40% of FY2002-03 levels by 2025. The SEO's 2024 utility consumption and cost report underscores progress, indicating a 32% reduction in EUI from the baseline values in FY2002-03. This data underscores the necessity to enhance the energy efficiency of North Carolina's state-owned buildings and emphasizes the crucial role of integrating energy managers with energy opportunities to enhance energy efficiency in the state. The landscape is rich with opportunities for GESPCs to provide financing for energy efficiency projects within the state-owned infrastructure, signifying a promising avenue for driving sustainable and cost-effective resource management practices within governmental facilities.

Using a GESPC provides state agencies with the opportunity to achieve significant improvements efficiently by working with a single vendor and ensuring energy savings validated by a third-party, in compliance with regulations. GESPCs offer the advantage of executing multiple energy upgrades simultaneously, maximizing savings promptly. While traditional project financing might be the preference for state-owned buildings, GESPCs offer the flexibility to leverage existing capital from the General Fund, allowing for other critical priorities to be addressed. The Department of Adult Correction (DAC) is currently in the construction phase of their \$38.7 million GESPC project, aligning with the goals of Executive Orders 80 and 246 to modernize six correctional institutions while significantly reducing emissions. The DAC found GESPC ideal for maintaining control over project scope and benefiting from streamlined communication with a single vendor, unlike the complexity of handling multiple subcontractors and designers. This pioneering GESPC initiative sets a benchmark nationwide, boasting the most guaranteed savings in the history of corrections projects in the U.S. The incorporation of a new 500 kW solar array in the project exemplifies innovative collaboration between the ESCO and utility, marking a milestone for North Carolina state agencies. The proactive approach of hiring an energy manager at DAC has played a pivotal role in catalyzing this groundbreaking endeavor. The upcoming GESPC at Central Prison in Raleigh, along with the IGA, underscores the commitment to sustainable practices.

The SEO remains dedicated to collaborating with the NCESC, LGC, ESCOs, third-party reviewers, and various stakeholders to enhance and streamline the GESPC process. The SEO's prompt reviews, and hands-on technical support play a crucial role in ensuring a smooth and effective GESPC process. By actively advocating for GESPCs and emphasizing their significance to governmental entities, the SEO delivers essential guidance, technical aid, and conducts thorough site inspections. GESPCs have proven to be highly competitive when compared to alternative financing methods, solidifying their position as a primary choice for substantial energy-related upgrades within governmental units.

The SEO is dedicated to enhancing the efficacy of the data collection system for GESPCs to ensure the accuracy and timeliness of the reported data. Despite not being a signatory entity for GESPCs, the SEO proactively seeks access to critical documents like contract details, construction schedules, financing agreements, and Measurement and Verification reports to maintain quality assurance over the gathered data. Leveraging its extensive experience in successfully managing a widely recognized GESPC program, the SEO has worked with the Department of Energy (DOE) and Lawrence Berkeley National Lab (LBNL) to collaborate on the use of eProject eXpress (ePX). This secure, web-based platform is specifically tailored to assist state and local governments and ESCOs in storing, monitoring, and reporting data related to their energy projects under performance contracts. By facilitating efficient tracking of greenhouse gas emission reductions and job creation statistics for each project statewide, the ePX tool promises to standardize and streamline the data collection and reporting for performance contracting projects. In the foreseeable future, widespread adoption of this tool is anticipated to shift the data collection responsibilities to ESCOs and governmental units, allowing the SEO to centrally review relevant GESPC documentation from a single database. Presently, SEO is diligently working on setting up ePX projects for all existing performance contracts in the state with the goal of achieving full operational capability by the next reporting cycle.

SEO's meetings with participating government entities and ESCOs have underscored the crucial necessity for a robust partnership and consistent communication throughout the GESPC process. It is evident that maintaining a strong partnership and open lines of communication is vital for all stakeholders involved. Over the course of a lengthy contract, the collaboration between the ESCO and the governmental unit may start to wane post-construction phase. To address this challenge, the SEO diligently works with both parties as a liaison to ensure that communication remains active, effective, and bridges potential knowledge gaps in the intricate GESPC process. The SEO's role can extend to providing on-site technical support with thorough review and training on contracting documents, aiding governmental units in comprehending risks and obligations involved. By engaging with the project from its inception through construction and beyond, the SEO fosters continuity and enhances communication channels between the ESCO and the governmental unit, contributing to the success of GESPC projects.

Moreover, the SEO plays a pivotal role in raising awareness and educating stakeholders about GESPCs as a pragmatic and efficient financing solution for energy efficiency projects. Through proactive outreach initiatives and tailored educational programs, the office equips governmental units with the necessary knowledge and resources to navigate and benefit from GESPCs. One standout example is the development of a comprehensive online training platform, inspired by the renowned GESPC-University curriculum crafted by the National Energy Services Coalition and the United States Department of Energy. By adapting the training to incorporate North Carolina-specific laws and guidelines, the SEO ensures that participants receive relevant and actionable insights. Each module is thoughtfully structured with accompanying quizzes to deepen understanding, allowing SEO professionals to offer personalized feedback and support. Notably, successful completion of the 25-module program culminates in a prestigious Certificate of Completion, underscoring the commitment to excellence and proficiency in the realm of performance contracting.

V. Local Governmental GESPC Update

K–12 schools are often the largest utility consumer within a county. Utilities and maintenance for the K–12 schools are funded from the county budget; therefore, use of GESPCs to make needed capital improvements reduces the burden on county taxpayers. Recently Clinton City Schools completed the installation of a 107.83 kW solar photovoltaic (PV) system through a performance contract. This is the first solar PV system funded by a performance contract in the state of North Carolina and is also CMTA Energy Solutions first performance contract in the state.³ The project cost roughly \$2.5 million, and during periods of low electricity consumptions at the school, such as on the weekends, the new system will be able to export power to Duke Energy generating credits for the school’s electricity bills. This example highlights the large impact that energy efficiency upgrades in K–12 schools can have on energy usage and spending and encourages the application of GESPCs to improve learning environments.

Funding from the bipartisan Infrastructure Investments and Jobs Act (IIJA), Energy Efficiency and Conservation Block Grant (EECBG), and the Inflation Reduction Act (IRA) could be used to supplement local government GESPCs to create opportunities for additional infrastructure investments in energy conservation measures. Overall, the funding could assist underserved public schools in Tier 1 and Tier 2 counties to: (1) reduce energy consumption and costs; (2) improve the learning environments of schools; (3) create equitable opportunities for a just transition to clean energy; and (4) stimulate the economy by hiring local contractors and businesses to complete the energy efficiency upgrades. The SEO aims to work with local governmental units to provide additional guidance and technical assistance on how to layer, blend, braid, and bundle stimulus funds as part of a GESPC to maximize these funds and energy savings impacts.

³ <https://www.cmta.com/news/clinton-city-schools-turns-on-milestone-solar-pv-system>

Appendix A

Guaranteed Energy Savings Contract Process

Guaranteed Energy Savings Contract Process

The list below provides a walkthrough of the GESC process from the RFP phase to legislative reporting phase, and where each entity's responsibility fits into the overall process.

1) Template RFP

- G.S. §143-64.17A(d1)
- SEO sends template for RFP to Governmental Unit

2) RFP Review

- G.S. §143-64.17A(a) and (a1)
- Governmental Unit submits RFP to SEO for review
- Governmental Unit submits RFP for a qualified reviewer
- Local Governmental Unit notifies the LGC 15 days prior to issuing RFP

3) RFP Public Notice

- G.S. §143-64.17A(a)
- Governmental Unit publishes RFP notice in local newspaper

4) Pre-Bid

- G.S. §143-4.17A(a) & 01 NCAC 41B .0307
- Governmental Unit schedules pre-bid meeting & site visits with qualified provider

5) Proposal

- G.S. §143-64.17A(a)
- Qualified Provider/ESCO evaluates and creates proposal and submits to Governmental Unit

6) Review Proposals

- G.S. §143-64.17A(b)
- Governmental Unit receives & evaluates proposals along with their Qualified Reviewer

7) Cost Savings Analysis

- G.S. §143-64.17A(d1)
- Governmental Unit requires top ranked qualified provider provides a cost savings analysis

8) Review Proposals

- G.S. §143-64.17A(d1)
- SEO reviews selected proposal, cost-savings analysis, and other relevant documents

9) Publish NOI

- G.S. §143-64.17A(d1) & G.S. §143-64.17B(b)
- Governmental Unit publishes notice of intent to award

10) IGA & LCCA

- G.S. §143-64.17B(f)
- Qualified Provider/ESCO selected performs, when feasible, an IGA and LCCA

11) Energy Savings Analysis

- G.S. §143-64.17M(a)
- A third-party Qualified Reviewer performs an energy savings analysis to validate savings prior to implementation of an ECM

12) Review IGA

- G.S. §143-64.17B(f)
- Governmental Unit reviews the IGA and determines to move forward or terminate process

13) Financial Approval

- G.S. §142, Article 8, State Energy Conservation Finance Act
- Qualified Provider/ESCO financial approval at the Council of State for State Governmental Units or Treasurer for Local Governmental Units

14) Report to Treasurer's Office

- G.S. §143-64.17G & G.S. §143-64.17H
- Governmental Units must report the contract, the terms of the contract and implemented measures to the Treasurer's Office and SEO after entering into a contract

15) Performance Verification

- G.S. §143-64.17M(b)
- Post implementation of all ECMs verified annually by a third party Qualified Reviewer

16) Program Reporting

- G.S. §143-64.17G & G.S. §143-64.17H
- Governmental Units report annually following the implementation of the contract the status and savings realized to the Treasurer's Office and SEO
- LGC reports biennially on local governments expected savings with assistance from SCO and SEO evaluating whether savings have been realized
- SEO compiles the information for all GESCs each fiscal year in a report to the LGC, the Joint Legislative Oversight Committee on Agriculture & Natural & Economic Resources, and Fiscal Research Division

Appendix B

General Statute Chapter 143, Article 3B,
*Conservation of Energy, Water, and
Other Utilities in Government Facilities.*

Article 3B.

Conservation of Energy, Water, and Other Utilities in Government Facilities.

Part 1. Energy Policy and Life-Cycle Cost Analysis.

§ 143-64.10. Findings; policy.

(a) The General Assembly finds all of the following:

- (1) That the State shall take a leadership role in aggressively undertaking the conservation of energy, water, and other utilities in North Carolina.
- (2) That State facilities and facilities of State institutions of higher learning have a significant impact on the State's consumption of energy, water, and other utilities.
- (3) That practices to conserve energy, water, and other utilities that are adopted for the design, construction, operation, maintenance, and renovation of these facilities and for the purchase, operation, and maintenance of equipment for these facilities will have a beneficial effect on the State's overall supply of energy, water, and other utilities.
- (4) That the cost of the energy, water, and other utilities consumed by these facilities and the equipment for these facilities over the life of the facilities shall be considered, in addition to the initial cost.
- (5) That the cost of energy, water, and other utilities is significant and facility designs shall take into consideration the total life-cycle cost, including the initial construction cost, and the cost, over the economic life of the facility, of the energy, water, and other utilities consumed, and of operation and maintenance of the facility as it affects the consumption of energy, water, or other utilities.
- (6) That State government shall undertake a program to reduce the use of energy, water, and other utilities in State facilities and facilities of the State institutions of higher learning and equipment in those facilities in order to provide its citizens with an example of energy-use, water-use, and utility-use efficiency.

(b) It is the policy of the State of North Carolina to ensure that practices to conserve energy, water, and other utilities are employed in the design, construction, operation, maintenance, and renovation of State facilities and facilities of the State institutions of higher learning and in the purchase, operation, and maintenance of equipment for these facilities. (1975, c. 434, s. 1; 1993, c. 334, s. 2; 2001-415, s. 1; 2006-190, s. 8; 2007-546, s. 3.1(b).)

§ 143-64.11. Definitions.

For purposes of this Article:

- (1) "Economic life" means the projected or anticipated useful life of a facility.
- (2) "Energy-consumption analysis" means the evaluation of all energy-consuming systems, including systems that consume water or other utilities, and components of these systems by demand and type of energy or other utility use, including the internal energy load imposed on a facility by its occupants, equipment and components, and the external energy load imposed on the facility by climatic conditions.
- (2a) "Energy Office" means the State Energy Office of the Department of Environmental Quality.

- (2b) "Energy-consuming system" includes but is not limited to any of the following equipment or measures:
 - a. Equipment used to heat, cool, or ventilate the facility;
 - b. Equipment used to heat water in the facility;
 - c. Lighting systems;
 - d. On-site equipment used to generate electricity for the facility;
 - e. On-site equipment that uses the sun, wind, oil, natural gas, liquid propane gas, coal, or electricity as a power source; and
 - f. Energy conservation measures, as defined in G.S. 143-64.17, in the facility design and construction that decrease the energy, water, or other utility requirements of the facility.
- (3) "Facility" means a building or a group of buildings served by a central distribution system for energy, water, or other utility or components of a central distribution system.
- (4) "Initial cost" means the required cost necessary to construct or renovate a facility.
- (5) "Life-cycle cost analysis" means an analytical technique that considers certain costs of owning, using, and operating a facility over its economic life, including but not limited to:
 - a. Initial costs;
 - b. System repair and replacement costs;
 - c. Maintenance costs;
 - d. Operating costs, including energy costs; and
 - e. Salvage value.
- (6) Repealed by Session Laws 1993, c. 334, s. 3, effective July 13, 1993.
- (7) "State agency" means the State of North Carolina or any board, bureau, commission, department, institution, or agency of the State.
- (8) "State-assisted facility" means a facility constructed or renovated in whole or in part with State funds or with funds guaranteed or insured by a State agency.
- (9) "State facility" means a facility constructed or renovated, by a State agency.
- (10) "State institution of higher learning" means any constituent institution of The University of North Carolina. (1975, c. 434, s. 2; 1989, c. 23, s. 1; 1993, c. 334, s. 3; 2001-415, s. 2; 2006-190, ss. 9, 10, 11; 2007-546, s. 3.1(c); 2009-446, s. 1(f); 2013-360, s. 15.22(o); 2015-241, s. 14.30(u).)

§ 143-64.12. Authority and duties of the Department; State agencies and State institutions of higher learning.

(a) The Department of Environmental Quality through the State Energy Office shall develop a comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning and shall update this program annually. Each State agency and State institution of higher learning shall develop and implement a management plan that is consistent with the State's comprehensive program under this subsection to manage energy, water, and other utility use, and that addresses any findings or recommendations resulting from the energy audit required by subsection (b1) of this section. The energy consumption per gross square foot for all State buildings in total shall be reduced by twenty percent (20%) by 2010 and thirty percent (30%) by 2015 based on energy consumption for the 2002-2003 fiscal year. Each State agency and

State institution of higher learning shall update its management plan biennially and include strategies for supporting the energy consumption reduction requirements under this subsection. Each community college shall submit to the State Energy Office a biennial written report of utility consumption and costs. Management plans submitted biennially by State institutions of higher learning shall include all of the following:

- (1) Estimates of all costs associated with implementing energy conservation measures, including pre-installation and post-installation costs.
- (2) The cost of analyzing the projected energy savings.
- (3) Design costs, engineering costs, pre-installation costs, post-installation costs, debt service, and any costs for converting to an alternative energy source.
- (4) An analysis that identifies projected annual energy savings and estimated payback periods.

(a1) State agencies and State institutions of higher learning shall carry out the construction and renovation of facilities in such a manner as to further the policy set forth under this section and to ensure the use of life-cycle cost analyses and practices to conserve energy, water, and other utilities.

(b) The Department of Administration shall develop and implement policies, procedures, and standards to ensure that State purchasing practices improve efficiency regarding energy, water, and other utility use and take the cost of the product over the economic life of the product into consideration. The Department of Administration shall adopt and implement Building Energy Design Guidelines. These guidelines shall include energy-use goals and standards, economic assumptions for life-cycle cost analysis, and other criteria on building systems and technologies. The Department of Administration shall modify the design criteria for construction and renovation of facilities of State buildings and State institutions of higher learning buildings to require that a life-cycle cost analysis be conducted pursuant to G.S. 143-64.15.

(b1) The Department of Administration, as part of the Facilities Condition and Assessment Program, shall identify and recommend energy conservation maintenance and operating procedures that are designed to reduce energy consumption within the facility of a State agency or a State institution of higher learning and that require no significant expenditure of funds. Every State agency or State institution of higher learning shall implement these recommendations. Where energy management equipment is proposed for any facility of a State agency or of a State institution of higher learning, the maximum interchangeability and compatibility of equipment components shall be required. As part of the Facilities Condition and Assessment Program under this section, the Department of Administration, in consultation with the State Energy Office, shall develop an energy audit and a procedure for conducting energy audits. Every five years the Department shall conduct an energy audit for each State agency or State institution of higher learning, and the energy audits conducted shall serve as a preliminary energy survey. The State Energy Office shall be responsible for system-level detailed surveys.

(b2) The Department of Administration shall submit a report of the energy audit required by subsection (b1) of this section to the affected State agency or State institution of higher learning and to the State Energy Office. The State Energy Office shall review each audit and, in consultation with the affected State agency or State institution of higher learning, incorporate the audit findings and recommendations into the management plan required by subsection (a) of this section.

(c) through (g) Repealed by Session Laws 1993, c. 334, s. 4.

(h) When conducting a facilities condition and assessment under this section, the Department of Administration shall identify and recommend to the State Energy Office any facility

of a State agency or State institution of higher learning as suitable for building commissioning to reduce energy consumption within the facility or as suitable for installing an energy savings measure pursuant to a guaranteed energy savings contract under Part 2 of this Article.

(i) Consistent with G.S. 150B-2(8a)h., the Department of Administration may adopt architectural and engineering standards to implement this section.

(j) The State Energy Office shall submit a report by December 1 of every odd-numbered year to the Joint Legislative Energy Policy Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, and the Fiscal Research Division describing the comprehensive program to manage energy, water, and other utility use for State agencies and State institutions of higher learning required by subsection (a) of this section. The report shall also contain the following:

- (1) A comprehensive overview of how State agencies and State institutions of higher learning are managing energy, water, and other utility use and achieving efficiency gains.
- (2) Any new measures that could be taken by State agencies and State institutions of higher learning to achieve greater efficiency gains, including any changes in general law that might be needed.
- (3) A summary of the State agency and State institutions of higher learning management plans required by subsection (a) of this section and the energy audits required by subsection (b1) of this section.
- (4) A list of the State agencies and State institutions of higher learning that did and did not submit management plans required by subsection (a) of this section and a list of the State agencies and State institutions of higher learning that received an energy audit.
- (5) Any recommendations on how management plans can be better managed and implemented. (1975, c. 434, s. 3; 1993, c. 334, s. 4; 2000-140, s. 76(f); 2001-415, s. 3; 2006-190, s. 12; 2007-546, s. 3.1(a); 2008-198, s. 11.1; 2009-446, s. 1(e); 2010-31, s. 14.3; 2010-196, s. 2; 2013-360, s. 15.22(p); 2014-120, s. 55; 2015-241, s. 14.30(u); 2017-57, s. 14.1(f).)

§ 143-64.13: Repealed by Session Laws 1993, c. 334, s. 5.

§ 143-64.14: Recodified as § 143-64.16 by Session Laws 1993, c. 334, s. 7.

§ 143-64.15. Life-cycle cost analysis.

(a) A life-cycle cost analysis shall be commenced at the schematic design phase of the construction or renovation project, shall be updated or amended as needed at the design development phase, and shall be updated or amended again as needed at the construction document phase. A life-cycle cost analysis shall include, but not be limited to, all of the following elements:

- (1) The coordination, orientation, and positioning of the facility on its physical site.
- (2) The amount and type of fenestration and the potential for daylighting employed in the facility.
- (3) Thermal characteristics of materials and the amount of insulation incorporated into the facility design.
- (4) The variable occupancy and operating conditions of the facility, including illumination levels.

(5) Architectural features that affect the consumption of energy, water, and other utilities.

(b) The life-cycle cost analysis performed for any State facility shall, in addition to the requirements set forth in subsection (a) of this section, include, but not be limited to, all of the following:

- (1) An energy-consumption analysis of the facility's energy-consuming systems in accordance with the provisions of subsection (g) of this section.
- (2) The initial estimated cost of each energy-consuming system being compared and evaluated.
- (3) The estimated annual operating cost of all utility requirements.
- (4) The estimated annual cost of maintaining each energy-consuming system.
- (5) The average estimated replacement cost for each system expressed in annual terms for the economic life of the facility.

(c) Each entity shall conduct a life-cycle cost analysis pursuant to this section for the construction or the renovation of any State facility or State-assisted facility of 20,000 or more gross square feet. For the replacement of heating, ventilation, and air-conditioning equipment in any State facility or State-assisted facility of 20,000 or more gross square feet, the entity shall conduct a life-cycle cost analysis of the replacement equipment pursuant to this section when the replacement is financed under a guaranteed energy savings contract or financed using repair and renovation funds.

(d) The life-cycle cost analysis shall be certified by a registered professional engineer or bear the seal of a North Carolina registered architect, or both. The engineer or architect shall be particularly qualified by training and experience for the type of work involved, but shall not be employed directly or indirectly by a fuel provider, utility company, or group supported by fuel providers or utility funds. Plans and specifications for facilities involving public funds shall be designed in conformance with the provisions of G.S. 133-1.1.

(e) In order to protect the integrity of historic buildings, no provision of this Article shall be interpreted to require the implementation of measures to conserve energy, water, or other utility use that conflict with respect to any property eligible for, nominated to, or entered on the National Register of Historic Places, pursuant to the National Historic Preservation Act of 1966, P.L. 89-665; any historic building located within an historic district as provided in Chapters 160A or 153A of the General Statutes; any historic building listed, owned, or under the jurisdiction of an historic properties commission as provided in Chapter 160A or 153A; nor any historic property owned by the State or assisted by the State.

(f) Each State agency shall use the life-cycle cost analysis over the economic life of the facility in selecting the optimum system or combination of systems to be incorporated into the design of the facility.

(g) The energy-consumption analysis of the operation of energy-consuming systems utilities in a facility shall include, but not be limited to, all of the following:

- (1) The comparison of two or more system alternatives.
- (2) The simulation or engineering evaluation of each system over the entire range of operation of the facility for a year's operating period.
- (3) The engineering evaluation of the consumption of energy, water, and other utilities of component equipment in each system considering the operation of such components at other than full or rated outputs. (1993, c. 334, s. 6; 2001-415, ss. 4, 5; 2006-190, s. 13; 2007-546, s. 4.1.)

§ 143-64.15A. Certification of life-cycle cost analysis.

Each State agency and each State institution of higher learning performing a life-cycle cost analysis for the purpose of constructing or renovating any facility shall, prior to selecting a design option or advertising for bids for construction, submit the life-cycle cost analysis to the Department for certification at the schematic design phase and again when it is updated or amended as needed in accordance with G.S. 143-64.15. The Department shall review the material submitted by the State agency or State institution of higher learning, reserve the right to require an agency or institution to complete additional analysis to comply with certification, perform any additional analysis, as necessary, to comply with G.S. 143-341(11), and require that all construction or renovation conducted by the State agency or State institution of higher learning comply with the certification issued by the Department. (2001-415, s. 6; 2007-546, s. 4.2.)

§ 143-64.16. Application of Part.

The provisions of this Part shall not apply to municipalities or counties, nor to any agency or department of any municipality or county; provided, however, this Part shall apply to any board of a community college. Community college is defined in G.S. 115D-2(2). (1975, c. 434, s. 5; 1989, c. 23, s. 2; 1993, c. 334, s. 7; 1993 (Reg. Sess., 1994), c. 775, s. 2.)

Part 2. Energy Saving Measures for Governmental Units.

§ 143-64.17. Definitions.

As used in this Part:

- (1) "Energy conservation measure" means a facility or meter alteration, training, or services related to the operation of the facility or meter, when the alteration, training, or services provide anticipated energy savings or capture lost revenue. Energy conservation measure includes any of the following:
 - a. Insulation of the building structure and systems within the building.
 - b. Storm windows or doors, caulking, weatherstripping, multiglazed windows or doors, heat-absorbing or heat-reflective glazed or coated window or door systems, additional glazing, reductions in glass area, or other window or door system modifications that reduce energy consumption.
 - c. Automatic energy control systems.
 - d. Heating, ventilating, or air-conditioning system modifications or replacements.
 - e. Replacement or modification of lighting fixtures to increase the energy efficiency of a lighting system without increasing the overall illumination of a facility, unless an increase in illumination is necessary to conform to the applicable State or local building code or is required by the light system after the proposed modifications are made.
 - f. Energy recovery systems.
 - g. Cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings.
 - h. Repealed by Session Laws 2006-190, s. 2, effective August 3, 2006, and applicable to contracts entered into or renewed on or after that date.

- i. Faucets with automatic or metered shut-off valves, leak detection equipment, water meters, water recycling equipment, and wastewater recovery systems.
 - j. Other energy conservation measures that conserve energy, water, or other utilities.
- (2) "Energy savings" means a measured reduction in fuel costs, energy costs, water costs, stormwater fees, other utility costs, or operating costs, including environmental discharge fees, water and sewer maintenance fees, and increased meter accuracy, created from the implementation of one or more energy conservation measures when compared with an established baseline of previous costs, including captured lost revenues, developed by the governmental unit.
- (2a) "Governmental unit" means either a local governmental unit or a State governmental unit.
- (3) "Guaranteed energy savings contract" means a contract for the evaluation, recommendation, or implementation of energy conservation measures, including the design and installation of equipment or the repair or replacement of existing equipment or meters, in which all payments, except obligations on termination of the contract before its expiration, are to be made over time, and in which energy savings are guaranteed to exceed costs.
- (4) "Local governmental unit" means any board or governing body of a political subdivision of the State, including any board of a community college, any school board, or an agency, commission, or authority of a political subdivision of the State.
- (5) "Qualified provider" means a person or business experienced in the design, implementation, and installation of energy conservation measures who has been prequalified by the State Energy Office according to the prequalification criteria established by that Office.
- (5a) "Qualified reviewer" means an architect or engineer who is (i) licensed in this State and (ii) experienced in the design, implementation, and installation of energy efficiency measures.
- (6) "Request for proposals" means a negotiated procurement initiated by a governmental unit by way of a published notice that includes the following:
- a. The name and address of the governmental unit.
 - b. The name, address, title, and telephone number of a contact person in the governmental unit.
 - c. Notice indicating that the governmental unit is requesting qualified providers to propose energy conservation measures through a guaranteed energy savings contract.
 - d. The date, time, and place where proposals must be received.
 - e. The evaluation criteria for assessing the proposals.
 - f. A statement reserving the right of the governmental unit to reject any or all the proposals.
 - g. Any other stipulations and clarifications the governmental unit may require.
- (7) "State governmental unit" means the State or a department, an agency, a board, or a commission of the State, including the Board of Governors of The

University of North Carolina and its constituent institutions. (1993 (Reg. Sess., 1994), c. 775, s. 3; 1995, c. 295, s. 1; 1999-235, ss. 1, 2; 2002-161, s. 2; 2006-190, s. 2; 2013-396, s. 1.)

§ 143-64.17A. Solicitation of guaranteed energy savings contracts.

(a) RFP Issuance. – Before entering into a guaranteed energy savings contract, a governmental unit shall issue a request for proposals. Notice of the request shall be published at least 15 days in advance of the time specified for opening of the proposals in at least one newspaper of general circulation in the geographic area for which the local governmental unit is responsible or, in the case of a State governmental unit, in which the facility or facilities are located. No guaranteed energy savings contract shall be awarded by any governmental unit unless at least two proposals have been received from qualified providers. Provided that if after the publication of the notice of the request for proposals, fewer than two proposals have been received from qualified providers, or fewer than two qualified providers attend the mandatory prebid meeting, the governmental unit may then open the proposals and select a qualified provider even if only one proposal is received.

(a1) Before issuing a request for proposals under this section that would involve a financing agreement as allowed under G.S. 160A-20, a local school administrative unit or a community college must notify the Local Government Commission of its intent to do so 15 days in advance.

(b) Preliminary Proposal Evaluation. – The governmental unit shall evaluate a sealed proposal from any qualified provider. A qualified reviewer shall be required to evaluate the proposals and will provide the governmental unit with a letter report containing both qualitative and quantitative evaluation of the proposals. The report may include a recommendation for selection, but the governmental unit is not obligated to follow it.

(c) Receipt of Proposals for Unit of Local Government. – In the case of a local governmental unit, proposals received pursuant to this section shall be opened by a member or an employee of the governing body of the local governmental unit at a public opening at which the contents of the proposals shall be announced and recorded in the minutes of the governing body. Proposals shall be evaluated for the local governmental unit by a qualified reviewer on the basis of:

- (1) The information required in subsection (b) of this section; and
- (2) The criteria stated in the request for proposals.

The local governmental unit may require a qualified provider to include in calculating the cost of a proposal for a guaranteed energy savings contract any reasonable fee payable by the local governmental unit for the evaluation of the proposal by a qualified reviewer not employed as a member of the staff of the local governmental unit or the qualified provider.

(c1) Receipt of Proposals for Unit of State Government. – In the case of a State governmental unit, proposals received pursuant to this section shall be opened by a member or an employee of the State governmental unit at a public opening and the contents of the proposals shall be announced at this opening. Proposals shall be evaluated for the State governmental unit by a qualified reviewer who is either privately retained, employed with the Department of Administration, or employed as a member of the staff of the State governmental unit. The proposal shall be evaluated on the basis of the information and report required in subsection (b) of this section and the criteria stated in the request for proposals.

The State governmental unit shall require a qualified provider to include in calculating the cost of a proposal for a guaranteed energy savings contract any reasonable fee payable by the State

governmental unit for evaluation of the proposal by a qualified reviewer not employed as a member of the staff of the State governmental unit or the qualified provider. The Department of Administration may charge the State governmental unit a reasonable fee for the evaluation of the proposal if the Department's services are used for the evaluation and the cost paid by the State governmental unit to the Department of Administration shall be calculated in the cost of the proposal under this subsection.

(d) Criteria for Selection of Provider. – The governmental unit shall select the qualified provider that it determines to best meet the needs of the governmental unit by evaluating all of the following and following the procedures set forth in subsection (d1) of this section:

- (1), (2) Repealed by Session Laws 2013-396, s. 2, effective August 23, 2013.
- (3) Quality of the products and energy conservation measures proposed.
- (4) Repealed by Session Laws 2013-396, s. 2, effective August 23, 2013.
- (5) General reputation and performance capabilities of the qualified providers.
- (6) Substantial conformity with the specifications and other conditions set forth in the request for proposals.
- (7) Time specified in the proposals for the performance of the contract.
- (8) Any other factors the governmental unit deems necessary, which factors shall be made a matter of record.

(d1) Process for Selection of Provider. – The governmental unit shall select a short list of finalists on the basis of its rankings of the written proposals under the criteria set forth in subsection (d) of this section as well as references from past clients. The governmental unit shall have the highest ranked qualified provider prepare a cost-savings analysis for the proposed contract showing at a minimum a comparison of the total estimated project savings to the total estimated project costs for the proposed term. If the governmental unit and the qualified provider cannot negotiate acceptable terms, pricing, and savings estimates, the governmental unit may terminate the process and begin negotiations with the second highest ranked qualified provider. The State Energy Office shall review the selected qualified provider's proposal, cost-benefit analysis, and other relevant documents prior to the governmental unit announcing the award.

(e) Nothing in this section shall limit the authority of governmental units as set forth in Article 3D of this Chapter. (1993 (Reg. Sess., 1994), c. 775, s. 3; 2002-161, s. 3; 2013-396, s. 2; 2021-72, s. 5.1.)

§ 143-64.17B. Guaranteed energy savings contracts.

(a) A governmental unit may enter into a guaranteed energy savings contract with a qualified provider if all of the following apply:

- (1) The term of the contract does not exceed 20 years from the date of the installation and acceptance by the governmental unit of the energy conservation measures provided for under the contract.
- (2) The governmental unit finds that the energy savings resulting from the performance of the contract will equal or exceed the total cost of the contract.
- (3) The energy conservation measures to be installed under the contract are for an existing building or utility system, or utility consuming device or equipment when the utility cost is paid by the governmental unit.

(b) Before entering into a guaranteed energy savings contract, the governmental unit shall provide published notice of the time and place or of the meeting at which it proposes to award the

contract, the names of the parties to the proposed contract, and the contract's purpose. The notice must be published at least 15 days before the date of the proposed award or meeting.

(c) A qualified provider entering into a guaranteed energy savings contract under this Part shall provide security to the governmental unit in the form acceptable to the Office of the State Treasurer and in an amount equal to one hundred percent (100%) of the guaranteed savings for the term of the guaranteed energy savings contract to assure the provider's faithful performance. Any bonds required by this subsection shall be subject to the provisions of Article 3 of Chapter 44A of the General Statutes. If the savings resulting from a guaranteed energy savings contract are not as great as projected under the contract and all required shortfall payments to the governmental unit have not been made, the governmental unit may terminate the contract without incurring any additional obligation to the qualified provider.

(d) As used in this section, "total cost" shall include, but not be limited to, costs of construction, costs of financing, and costs of maintenance and training during the term of the contract less the application of the utility company, State, or federal incentives, grants, or rebates. "Total cost" does not include any obligations on termination of the contract before its expiration, provided that those obligations are disclosed when the contract is executed.

(e) A guaranteed energy savings contract may not require the governmental unit to purchase a maintenance contract or other maintenance agreement from the qualified provider who installs energy conservation measures under the contract if the unit of government takes appropriate action to budget for its own forces or another provider to maintain new systems installed and existing systems affected by the guaranteed energy savings contract.

(f) In the case of a State governmental unit, a qualified provider shall, when feasible, after the acceptance of the proposal of the qualified provider by the State governmental unit, conduct an investment grade audit. During this investment grade audit, the qualified provider shall perform in accordance with Part 1 of this Article a life cycle cost analysis of each energy conservation measure in the final proposal. If the results of the audit are not within ten percent (10%) of both the guaranteed savings contained in the proposal and the total proposal amount, either the State governmental unit or the qualified provider may terminate the project without incurring any additional obligation to the other party. However, if the State governmental unit terminates the project after the audit is conducted and the results of the audit are within ten percent (10%) of both the guaranteed savings contained in the proposal and the total proposal amount, the State governmental unit shall reimburse the qualified provider the reasonable cost incurred in conducting the audit, and the results of the audit shall become the property of the State governmental unit.

(g) A qualified provider shall provide an annual reconciliation statement based upon the results of the measurement and verification review. The statement shall disclose any shortfalls or surplus between guaranteed energy and operational savings specified in the guaranteed energy savings contract and actual, not stipulated, energy and operational savings incurred during a given guarantee year. Any guaranteed energy and operational savings shall be determined by using one of the measurement and verification methodologies listed in the United States Department of Energy's Measurement and Verification Guidelines for Energy Savings Performance Contracting, the International Performance Measurement and Verification Protocol (IPMVP) maintained by the Efficiency Valuation Organization, or Guideline 14-2002 of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers. If due to existing data limitations or the nonconformance of specific project characteristics, none of the three methodologies listed in this subsection is sufficient for measuring guaranteed savings, the qualified provider shall develop an

alternate method that is compatible with one of the three methodologies and mutually agreeable to the governmental unit. The guarantee year shall consist of a 12-month term commencing from the time that the energy conservation measures become fully operational. A qualified provider shall pay the governmental unit or its assignee any shortfall in the guaranteed energy and operational savings after the total year savings have been determined. In the case of a governmental unit, a surplus in any one year shall not be carried forward or applied to a shortfall in any other year. (1993 (Reg. Sess., 1994), c. 775, s. 3; 1995, c. 295, s. 2; 1999-235, s. 3; 2002-161, s. 4; 2003-138, s. 1; 2006-190, s. 3; 2009-375, s. 2; 2013-396, s. 3; 2014-115, s. 56.7.)

§ 143-64.17C: Repealed by Session Laws 2002, ch. 161, s. 5, effective January 1, 2003, and applicable to contracts entered into on or after that date.

§ 143-64.17D. Contract continuance.

A guaranteed energy savings contract may extend beyond the fiscal year in which it becomes effective. Such a contract shall stipulate that it does not constitute a direct or indirect pledge of the taxing power or full faith and credit of any governmental unit. (1993 (Reg. Sess., 1994), c. 775, s. 3; 2002-161, s. 6.)

§ 143-64.17E. Payments under contract.

A local governmental unit may use any funds, whether operating or capital, that are not otherwise restricted by law for the payment of a guaranteed energy savings contract. State appropriations to any local governmental unit shall not be reduced as a result of energy savings occurring as a result of a guaranteed energy savings contract. (1993 (Reg. Sess., 1994), c. 775, s. 3.)

§ 143-64.17F. State agencies to use contracts when feasible; rules; recommendations.

(a) State governmental units shall evaluate the use of guaranteed energy savings contracts in reducing energy costs and may use those contracts when feasible and practical.

(b) The Department of Administration, in consultation with the Department of Environmental Quality, through the State Energy Office, shall adopt rules for: (i) agency evaluation of guaranteed energy savings contracts; (ii) establishing time periods for consideration of guaranteed energy savings contracts by the Office of State Budget and Management, the Office of the State Treasurer, and the Council of State, and (iii) setting measurements and verification criteria, including review, audit, and precertification. Prior to adopting any rules pursuant to this section, the Department shall consult with and obtain approval of those rules from the State Treasurer. The rules adopted pursuant to this subsection shall not apply to energy conservation measures implemented pursuant to G.S. 143-64.17L.

(c) The Department of Administration, and the Department of Environmental Quality through the State Energy Office, may provide to the Council of State its recommendations concerning any energy savings contracts being considered. (2002-161, s. 7; 2003-138, s. 2; 2009-446, s. 1(d); 2011-145, s. 9.6D(d); 2013-360, s. 15.22(d); 2015-241, s. 14.30(u).)

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

A local governmental unit that enters into a guaranteed energy savings contract must report the contract and the terms of the contract to the Local Government Commission and the State Energy

Office of the Department of Environmental Quality. The Commission shall compile the information and report it biennially to the Joint Commission on Governmental Operations. In compiling the information, the Local Government Commission shall include information on the energy savings expected to be realized from a contract and, with the assistance of the Office of State Construction and the State Energy Office, shall evaluate whether expected savings have in fact been realized. (1993 (Reg. Sess., 1994), c. 775, s. 9; 2006-190, s. 4; 2009-375, s. 3; 2013-360, s. 15.22(e); 2015-241, s. 14.30(u).)

§ 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 or implements an energy conservation measure pursuant to G.S. 143-64.17L must report either (i) the contract and the terms of the contract or (ii) the implementation of the measure to the State Energy Office of the Department of Environmental Quality within 30 days of the date the contract is entered into or the measure is implemented. 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 Oversight Committee on Agriculture and Natural and Economic Resources, the Fiscal Research Division, and 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 or implementation and shall evaluate whether expected savings have in fact been realized. (2002-161, s. 8; 2006-190, s. 5; 2009-446, s. 1(c); 2011-145, s. 9.6D(e); 2013-360, s. 15.22(f); 2015-241, s. 14.30(u); 2017-57, s. 14.1(g).)

§ 143-64.17I. Installment and lease purchase contracts.

A local governmental unit may provide for the acquisition, installation, or maintenance of energy conservation measures acquired pursuant to this Part by installment or lease purchase contracts in accordance with and subject to the provisions of G.S. 160A-20 and G.S. 160A-19, as applicable. (2002-161, s. 8.)

§ 143-64.17J. Financing by State governmental units.

State governmental units may finance the acquisition, installation, or maintenance of energy conservation measures acquired pursuant to this Part in the manner and to the extent set forth in Article 8 of Chapter 142 of the General Statutes or as otherwise authorized by law. (2002-161, s. 8.)

§ 143-64.17K. Inspection and compliance certification for State governmental units.

The provisions of G.S. 143-341(3) shall not apply to any energy conservation measure for State governmental units provided pursuant to this Part, except as specifically set forth in this section. Except as otherwise exempt under G.S. 116-31.11, the following shall apply to all energy conservation measures provided to State governmental units pursuant to this Part:

- (1) The provisions of G.S. 133-1.1.
- (2) Inspection and certification by:
 - a. The applicable local building inspector under Article 11 of Chapter 160D of the General Statutes; or

- b. At the election of the State governmental unit, the Department of Administration under G.S. 143-341(3)d.

The cost of compliance with this section may be included in the cost of the project in accordance with G.S. 143-64.17A(c1) and may be included in the cost financed under Article 8 of Chapter 142 of the General Statutes. (2002-161, s. 8; 2022-62, s. 27.)

§ 143-64.17L. Board of Governors may authorize energy conservation measures at constituent institutions.

(a) Authority. – Notwithstanding the provisions of this Part to the contrary, the Board of Governors of The University of North Carolina may authorize any constituent institution listed in subsection (e) of this section to implement an energy conservation measure without entering into a guaranteed energy savings contract if both of the following conditions are met:

- (1) The Board of Governors finds that the energy savings resulting from the implementation of the energy conservation measure shall, according to the energy savings analysis received pursuant to G.S. 143-64.17M(a), equal or exceed the total cost of implementing the measure. If the proposed implementation will be financed with debt, then the energy savings analysis must project sufficient energy savings to pay the debt service on any bonds to be issued. As used in this subdivision, the term "total cost" shall have the same meaning as it does in G.S. 143-64.17B(d).
- (2) The energy conservation measure is for an existing building or utility system.

(b) Scope of Authority. – In implementing an energy conservation measure pursuant to subsection (a) of this section, the Board of Governors may undertake or authorize any constituent institution listed in subsection (e) of this section to undertake any action that (i) could be required of a qualified provider under a guaranteed energy savings contract or (ii) is otherwise permissible under this Part.

(c) Projects Consisting of Multiple Energy Conservation Measures. – The Board of Governors may authorize the implementation of multiple energy conservation measures simultaneously as part of a single project. When doing so, the findings required by subsection (a) of this section may be made with respect to the project as a whole and need not be made with respect to individual energy conservation measures. Similarly, the analyses required by G.S. 143-64.17M may be conducted for the project as a whole instead of for individual energy conservation measures.

(d) Continuing Applicability of Part to Contracts. – If the Board of Governors or a constituent institution implements an energy conservation measure through a guaranteed energy savings contract, that contract shall accord in all respects with the requirements of this Part.

(e) The Board of Governors may authorize North Carolina State University and the University of North Carolina at Charlotte to implement an energy conservation measure without entering into a guaranteed energy savings contract pursuant to this section. (2011-145, s. 9.6D(a); 2013-396, s. 4(a).)

§ 143-64.17M. Energy savings analysis required prior to implementation; post-implementation analyses required.

(a) Energy Savings Analysis Required Prior to Implementation. – Prior to implementing an energy conservation measure pursuant to G.S. 143-64.17L, an energy savings analysis shall be performed to validate the economic assumptions that purportedly support the implementation of

the measure. This analysis shall be performed by a third party selected by the constituent institution and shall include an energy consumption analysis to develop a baseline of previous costs of all utilities' energy consumption for the institution on the assumption that the energy conservation measure was not undertaken. The completed analysis shall be submitted to The University of North Carolina System Office and to the State Energy Office.

(b) **Post-Implementation Analyses Required.** – A constituent institution that implements an energy conservation measure pursuant to G.S. 143-64.17L shall retain a third party to perform an annual measurement and verification of energy savings resulting from the energy conservation measure as compared to the baseline of previous costs set forth in the energy savings analysis required by subsection (a) of this section. The third party shall annually provide a reconciliation statement based upon the results of a preagreed upon measurement, monitoring, and verification protocol which shall disclose any shortfall or surplus between the estimated energy usage and operational savings set forth in the energy savings analysis required by subsection (a) of this section and actual, not stipulated, energy usage and operational savings incurred during a given year.

If a reconciliation statement reveals a shortfall in energy savings for a particular year, the constituent institution shall be responsible for and shall pay the shortfall. However, the institution shall not be held responsible for losses due to natural disasters or other emergencies. Any surplus shall be retained by the institution and may be used in the same manner as any other energy savings. (2011-145, s. 9.6D(b); 2018-12, s. 17.)

§§ 143-64.17N through 143-64.19: Reserved for future codification purposes.

Appendix C

North Carolina Administrative Code,
Title 01, Subchapter 41B,
Guaranteed Energy Savings Contracts

SUBCHAPTER 41B – GUARANTEED ENERGY SAVINGS CONTRACTS**SECTION .0100 – GENERAL PROVISIONS****01 NCAC 41B .0101 RESPONSIBILITY**

History Note: Authority G.S. 143-64.17A(c1); 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004.

01 NCAC 41B .0102 SCOPE

This Subchapter shall apply to State governmental units engaging in guaranteed energy savings contracts.

History Note: Authority G.S. 143-64.17F; 143-64.17H; 143-64.17A (c1);
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0103 RULE MAKING AUTHORITY

History Note: Authority G.S. 143-64.17A(c1); 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004.

01 NCAC 41B .0104 DEFINITIONS

For the purposes of this Chapter, the following definitions apply:

- (1) Terms used herein that are defined in G.S. 143-64.17 shall have the same definitions as in G.S. 143-64.17.
- (2) "Agency." A North Carolina State governmental unit that is soliciting, through a Request for Proposals (RFP), to enter into a guaranteed energy savings contract.
- (3) "Annual reconciliation statement." A report disclosing shortfalls or surplus between guaranteed energy and operational savings specified in the guaranteed energy savings contract and actual energy and operational savings incurred during each 12 month term commencing from the time that the energy conservation measures became fully operational.
- (4) "Contract." A guaranteed energy savings contract.
- (5) "Offer." The response to an RFP means the same as "bid" or "proposal."
- (6) "Investment grade audit" or "investment grade analysis." A cost-benefit analysis of energy efficiency investments including a review of potential cost savings through operation and maintenance changes.
- (7) "Life-cycle cost analysis." A method for estimating the total cost of an energy-using component or building over its useful life, including cost factors such as purchase price, or construction, renovation, or leasing costs, energy use, maintenance, interest, and inflation.
- (8) "Measurement and verification review." An examination of energy measures installed under each contract, using methodology to measure the operation of energy-using systems before and after change, to verify the performance and savings of the installed equipment.
- (9) "Qualified provider." A person, business, or organization experienced in the design, implementation, and installation of energy conservation measures and determined by the administering and contracting agencies to have the capability in all respects to fully perform the contract requirements.

History Note: Authority G.S. 143-64.17F; 143-64.17H; 143-64.17A(c1);
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

SECTION .0200 – RESERVED FOR FUTURE CODIFICATION

SECTION .0300 – SOLICITATIONS**01 NCAC 41B .0301 NORTH CAROLINA PRODUCTS**

A preference for North Carolina products and services provided by North Carolina residents pursuant to G.S. 143-59 shall apply to Guaranteed Energy Savings Contracts.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0302 SOLICITATION DOCUMENTS

- (a) Agencies shall solicit for guaranteed energy savings contracts through a Request for Proposal (RFP).
- (b) Agencies may use the RFP template available from the State Energy Office at MSC 1340, Raleigh, NC 27699-1340.
- (c) Solicitation documents shall include a Treasurer's estimated cost of financing.
- (d) Solicitation documents may allow for qualified provider or third party financing.
- (e) Solicitation documents may include a copy of the Facilities Condition Assessment Program (FCAP) report covering part or all of the facilities subject to the solicitation.
- (f) Solicitation documents shall state the evaluation criteria specified by G.S. 143-64.17A (b) and (d) as well as those in this Chapter. The documents shall also state the criteria weighting defined by the agency for each particular project. Weighting may change from one RFP to another RFP from an agency based upon the particular needs of that agency.
- (g) Solicitation documents shall stipulate that employee or time savings cannot be included in the offer unless a position is eliminated as a result of contract implementation.
- (h) Solicitation documents shall stipulate that the qualified provider is responsible for all costs incurred in preparing the initial proposal.
- (i) Solicitation documents shall stipulate that the contractor cannot include costs or allowances for contingencies in the contract.
- (j) Solicitation documents may include a three-year history of usage and billing for all utilities for the facilities subject to the proposal.

*History Note: Authority G.S. 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0303 TREASURER'S COST ESTIMATE OF FINANCING

Agencies shall obtain an estimate of financing cost from the Director of Debt Management, Office of the Treasurer. This estimate shall not be binding upon the State and is subject to change by the Office of the Treasurer. The Office of the Treasurer may reject any potential contract if the actual cost of financing has exceeded the estimated cost of financing when the contract is submitted to the Office of the Treasurer for approval.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0304 GENERAL FUND PREFERENCE

- (a) The agency shall give preference to projects where the energy costs are paid through General Fund appropriations as compared to receipts, or federal funds, or other sources. This preference shall be stipulated in the solicitation documents.

(b) Solicitation documents shall include, when feasible, a breakdown of the source of funds for energy costs and shall direct the vendors to break down savings by source of funds if the aforementioned information is included in the solicitation document.

(c) The Council of State may give preference to projects where the energy costs are paid through General Fund appropriations as compared to receipts, or federal funds, or other sources.

History Note: Authority G.S. 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0305 PROHIBITION ON FEDERAL FUNDS

The agency shall not solicit proposals for projects that include payment from federal funds unless the agency has obtained, and includes in both the solicitation and contract, documentation from the Federal Government or the Office of State Controller stating that the use of federal funds for payment of the contract is authorized.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0306 ADVERTISEMENT REQUIREMENTS

In addition to advertising requirements stated in G.S. 143-64.17A(a), agencies shall send a copy to the State Energy Office at MSC 1340, Raleigh, NC 27699 and shall include in the notification instructions on how to obtain the complete solicitation.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0307 CONFERENCES/SITE VISITS

Agencies may conduct vendor conferences and site visits before the Request for Proposals closing date.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

SECTION .0400 - PRECERTIFICATION OF PROVIDERS

01 NCAC 41B .0401 INFORMATION REQUIRED FOR PRECERTIFICATION

Organizations may establish capability to provide services under performance contracts with state agencies by providing the following information to the State Energy Office:

- (1) past experience with energy performance contracting with a minimum of three years operation and completed installation of a minimum of three projects;
- (2) performance contracting experience and resumes of individuals expected to work on North Carolina projects including a minimum of one professional engineer licensed in North Carolina;
- (3) summary information, with client contact information, on all performance contracting projects in North Carolina during the previous five years listing only completed projects with at least one year in repayment;

- (4) summary information, with client contact information, on all performance contracts with any state government agencies in the United States with a maximum of five projects for each of the previous five years;
- (5) summary information, with client contact information, on any performance contracting projects which resulted in the company paying energy costs to clients;
- (6) summary of the history and operation of the business and organization, including volume, bonding capacity and type of clients; and
- (7) financial statements of the performance contracting organization and (if applicable) parent company for the previous two years.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0402 PRECERTIFICATION EVALUATION

Organizations shall present information required for precertification to the State Energy Office with a request for consideration for inclusion as a precertified entity. The State Energy Office shall offer a precertification period for providers at three-year intervals.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0403 CONTESTING PRECERTIFICATION

(a) If the State Energy Office denies an organization's request for precertification, a written appeal from the organization may be provided by the organization within 60 days after date of notification of the denial. A letter appealing the decision may be filed with:

Director, State Energy Office
North Carolina Department of Administration
1830A Tillery Place MSC 1340
Raleigh, North Carolina 27699-1340

(b) In the event that an organization wishes to contest the case further, contested case hearings are available as provided in G.S. 150B, and petitions for contested case hearings shall be filed in accordance with the provisions of that Chapter.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0404 PUBLISHED LIST OF PRECERTIFIED ENTITIES

Organizations precertified by the State Energy Office to provide services under performance contracts may be included on a list available on the Website of the State Energy Office at <http://www.energync.net>.

*History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.*

01 NCAC 41B .0405 PRECERTIFIED ENTITY RESTRICTION

Only precertified organizations may enter into a performance contract with a state governmental agency.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

SECTION .0500 - EVALUATION, SELECTION, AND AWARD

01 NCAC 41B .0501 LATE OFFERS, MODIFICATIONS, OR WITHDRAWALS

No late offer, late modification, or late withdrawal shall be considered unless received before contract award, and the offer, modification, or withdrawal would have been timely but for the action or inaction of agency personnel. The offeror shall have his offer delivered on time, regardless of the mode of delivery used, including the U.S. Postal Service or any other delivery services available.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0502 EXTENSION OF ACCEPTANCE TIME

Companies may be requested to extend the time offered for the acceptance of offers.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0503 ERROR/CLARIFICATION

When an offer contains an obvious error or otherwise where an error is suspected, the circumstances may be investigated and then may be considered and acted upon. Any action taken shall not prejudice the rights of the public or other offering companies. Where offers are submitted substantially in accordance with the request for response document but are not entirely clear as to intent or to some particular fact or where there are other ambiguities, clarification may be sought and accepted provided that, in doing so, no change is permitted in prices.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0504 BASIS FOR REJECTION

In soliciting offers, any and all offers received may be rejected. Bases for rejection shall include, but are not limited to, the offer being deemed unsatisfactory as to the quantity, quality, delivery, price or service offered; the offer not complying with conditions in the RFP or with the intent of the proposed contract; lack of competitiveness by reason of collusion; error(s) in specifications or indication that revision(s) would be to the state's advantage; cancellation of or changes in the intended project or other determination that the proposed requirement is no longer needed; limitation or lack of available funds; circumstances which prevent determination of the lowest responsible or most advantageous offer; or any determination that rejection would be to the best interest of the state.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;

Temporary Adoption Expires April 27, 2004;
Eff. August 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0505 PUBLIC RECORD

Action in rejecting offers shall be made a matter of record.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0506 RECIPROCAL PREFERENCE

(a) 01 NCAC 05B .1522(a), (b), (c), (d), and (g) shall apply to this Subchapter.

(b) If the use of the reciprocal preference changes which bidder is the low bidder, the agency may waive the use of the reciprocal preference, after consultation with the Council of State, and after taking into consideration such factors as, competition, price, product origination, and available resources.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0507 PROPOSAL EVALUATION

(a) Evaluation criteria shall include those specified by G.S. 143-64.17A(b) and (d).

(b) Evaluation criteria for the proposal shall also include the following:

- (1) Life cycle cost analysis as defined in G.S. 143-64.15.
- (2) Certification by a registered engineer that the measurement and verification protocol presented in the proposal is capable of measuring actual or projected savings.
- (3) A process of annual third party measurement and verification of savings in accordance with the pre-defined and certified protocol found in 01 NCAC 41B .0510. The cost of this process shall be included in the total cost of the contract.
- (4) The total cost based on Office of Treasurer cost of financing estimate and cost based on Qualified Provider or third party financing in the response.

History Note: Authority G.S. 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0508 PRE-AWARD REPORTS

Before the award of a guaranteed energy savings contract, the qualified provider shall provide a report, as part of its proposal, which shall be available for public inspection, summarizing estimates of all costs of installation, maintenance, repairs and debt service and estimates of the amounts by which energy or operating costs will be reduced.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0509 TABULATIONS AND ABSTRACTS

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004.

01 NCAC 41B .0510 MEASUREMENT AND VERIFICATION

Any guaranteed energy and operational savings shall be determined by using one of the measurement and verification methodologies listed in the United States Department of Energy's "Measurement and Verification Guideline for Energy Savings Performance Contracting," the "International Performance Measurement and Verification Protocol," or "ASHRAE 14-2002." If due to existing data limitations or the nonconformance of specific project characteristics, none of the measurement and verification methodologies listed above is sufficient for measuring guaranteed savings, the qualified provider shall develop an alternate method that is compatible with one of the three and mutually agreeable with the agency.

History Note: Authority G.S. 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0511 CONTRACT EXECUTION

Contract execution by the successful companies shall occur upon contract award and before the agency sends the documents to the Office of State Budget and Management. Contracts shall stipulate that the execution is contingent upon approval and financing. Upon execution, the agency shall forward the documents to the Capital Improvement Section of the Office of State Budget and Management with a copy to the Director of the State Energy Office.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

SECTION .0600 – RESERVED FOR FUTURE CODIFICATION

SECTION .0700 – APPROVAL

01 NCAC 41B .0701 OFFICE OF STATE BUDGET AND MANAGEMENT CERTIFICATION

The Office of State Budget and Management (OSBM) shall certify, within 10 business days of receipt, expected availability of resources and set up appropriate reserve accounts or other accounting procedures to transfer funds from the agency to the Office of the Treasurer for payment. Upon certification, the OSBM shall forward the documentation to the Office of the Treasurer's Director of Debt Management.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

01 NCAC 41B .0702 OFFICE OF THE TREASURER APPROVAL

The Office of the Treasurer shall, within 10 business days of receipt, review the documentation and select the desired financing option. Upon review and selection, the Treasurer shall forward the documentation to the Secretary of the Department of Administration.

History Note: Authority G.S. 143-64.17F;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;

Eff. July 1, 2004;

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

SECTION .0800 – RESERVED FOR FUTURE CODIFICATION

SECTION .0900 - POST-APPROVAL PROCEDURES

01 NCAC 41B .0901 ANNUAL REPORTS AND INSPECTIONS

(a) The State Energy Office may inspect any and all documentation and facilities it deems appropriate at the agency to determine the effectiveness of the guaranteed energy savings contract and to provide information to the Council of State and the General Assembly on the effectiveness of the contract.

(b) Agencies failing to provide documentation to the State Energy Office as requested, shall be reported to the Council of State and shall be prohibited from engaging in further energy savings contracts until the deficient documentation is provided to the State Energy Office.

(c) Requested information, by definition, includes timely submission of the "Annual Report of Savings Report" available from the State Energy Office at 1340 MSC, Raleigh, NC 27699-1340.

*History Note: Authority G.S. 143-64.17F; 143-64.17H;
Temporary Adoption Eff. August 1, 2003;
Temporary Adoption Expired April 27, 2004;
Eff. July 1, 2004;*

Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. March 6, 2018.

Appendix D

General Statute Chapter 142, Article 8,
State Energy Conservation Finance Act

Article 8.

State Energy Conservation Finance Act.

§ 142-60. Short title.

This Article is the State Energy Conservation Finance Act. (2002-161, s. 9.)

§ 142-61. Definitions.

The following definitions apply in this Article:

- (1) Certificates of participation. – Certificates or other instruments delivered by a special corporation as provided in this Article evidencing the assignment of proportionate and undivided interests in the rights to receive payments to be made by the State pursuant to one or more financing contracts.
- (2) Cost. – The term includes:
 - a. The cost of construction, modification, rehabilitation, renovation, improvement, acquisition, or installation in connection with an energy conservation measure.
 - b. The cost of engineering, architectural, and other consulting services as may be required, including the cost of performing the technical analysis in accordance with G.S. 143-64.17A and inspection and certification in accordance with G.S. 143-64.17K.
 - c. Finance charges, reserves for debt service and other types of reserves required pursuant to a financing contract or any other related documentation, and interest prior to and during construction, and, if deemed advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction.
 - d. Administrative expenses and charges.
 - e. The cost of bond insurance, investment contracts, credit and liquidity facilities, interest rate swap agreements and other derivative products, financial and legal consultants, and related costs of the incurrence or issuance of the financing contract to the extent and as determined by the State Treasurer.
 - f. The cost of reimbursing the State for payments made for any costs described in this subdivision.
 - g. Any other costs and expenses necessary or incidental to implementing the purposes of this Article.
- (3) Credit facility. – An agreement that:
 - a. Is entered into by the State with a bank, savings and loan association, or other banking institution, an insurance company, reinsurance company, surety company or other insurance institution, a corporation, investment banking firm or other investment institution, or any financial institution or other similar provider of a credit facility, which provider may be located within or without the United States of America; and
 - b. Provides for prompt payment of all or any part of the principal or purchase price (whether at maturity, presentment or tender for purchase, redemption, or acceleration), redemption premium, if any, and interest with respect to any financing contract payable on demand or tender by the owner in consideration of the State agreeing to repay the provider of

the credit facility in accordance with the terms and provisions of the agreement.

- (4) Energy conservation measure. – Defined in G.S. 143-64.17.
- (5) Energy conservation property. – Buildings, equipment, or other property with respect to which an energy conservation measure is undertaken.
- (6) Financing contract. – An installment financing contract entered into pursuant to the provisions of this Article to finance the cost of an energy conservation measure.
- (7) Person. – An individual, a firm, a partnership, an association, a corporation, a limited liability company, or any other organization or group acting as a unit.
- (8) Special corporation. – A nonprofit corporation created under Chapter 55A of the General Statutes for the purpose of facilitating the incurrence of certificates of participation indebtedness by the State under this Article.
- (9) State governmental unit. – Defined in G.S. 143-64.17.
- (10) State Treasurer. – The incumbent Treasurer, from time to time, of the State. (2002-161, s. 9.)

§ 142-62: Reserved for future codification purposes.

§ 142-63. Authorization of financing contract.

Subject to the terms and conditions set forth in this Article, (i) a State governmental unit that is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article, (ii) a State governmental unit that has solicited a guaranteed energy conservation measure pursuant to G.S. 143-64.17A or G.S. 143-64.17B, or (iii) the State Treasurer, as designated by the Council of State, is authorized to execute and deliver, for and on behalf of the State of North Carolina, a financing contract to finance the costs of the energy conservation measure. The aggregate outstanding amount payable by the State under financing contracts entered pursuant to this Article shall not exceed five hundred million dollars (\$500,000,000) at any one time. (2002-161, s. 9; 2006-190, s. 6; 2009-375, s. 1; 2011-145, s. 9.6D(f); 2013-396, s. 4(b).)

§ 142-64. Procedure for incurrence or issuance of financing contract.

(a) When a State governmental unit (i) is implementing an energy conservation measure pursuant to G.S. 143-64.17L and financing it pursuant to this Article or (ii) has solicited a guaranteed energy conservation measure, the State governmental unit shall request that the State Treasurer approve the State governmental unit's entering into a financing contract to finance the cost of the energy conservation measure. In connection with the request, the State governmental unit shall provide to the State Treasurer any information the State Treasurer requests in order to evaluate the request. In the event that the State Treasurer determines that financing efficiencies will be realized through the combining of financing contracts, then the State Treasurer is authorized to execute and deliver, for and on behalf of the State of North Carolina, subject to the terms and conditions set forth in this Article, a financing contract for the purpose of financing the cost of the multiple energy conservation measures.

(b) A financing contract may be entered into pursuant to this Article only after all of the following conditions are met:

- (1) The Office of State Budget and Management has certified that resources are expected to be available to the State to pay the payments to fall due under the financing contract as they become due and payable.
- (2) The Council of State has approved the execution and delivery of the financing contract by resolution that sets forth all of the following:
 - a. The not-to-exceed term or final maturity of the financing contract, which shall be no later than 20 years from the date of acceptance of the project.
 - b. The not-to-exceed interest rate or rates (or the equivalent thereof), which may be fixed or vary over a period of time, with respect to the financing contract.
 - c. The appropriate officers of the State to execute and deliver the financing contract and all other documentation relating to it.
- (3) The State Treasurer has approved the financing contract and all other documentation related to it, including any deed of trust, security agreement, trust agreement or any credit facility.

The resolution of the Council of State shall include any other matters the Council of State considers appropriate.

(c) In determining whether to approve a financing contract under subdivision (b)(3) of this section, the State Treasurer may consider the factors the State Treasurer considers relevant in order to find and determine all of the following:

- (1) The principal amount to be advanced to the State under the financing contract is adequate and not excessive for the purpose of paying the cost of the energy conservation measure.
- (2) The increase, if any, in State revenues necessary to pay the sums to become due under the financing contract are not excessive.
- (3) The financing contract can be entered into on terms desirable to the State.
- (4) In the case of delivery of certificates of participation, the sale of certificates of participation will not have an adverse effect upon any scheduled or proposed sale of obligations of the State or any State agency.

(d) The Office of State Budget and Management is authorized to certify that funds are expected to be available to the State to make the payments due under a financing contract entered into under the provisions of this section as the payments become due and payable. In so certifying, the Office of State Budget and Management may take into account expected decreases in appropriations to the State governmental unit that will offset payments expected to be made under the financing contract. (2002-161, s. 9; 2006-190, s. 7; 2011-145, s. 9.6D(g).)

§ 142-65. Security; other requirements.

(a) In order to secure the performance by the State of its obligations under a financing contract or any other related documentation, the State may grant a lien on, or security interest in, all or any part of the energy conservation property or the land upon which the energy conservation property is or will be located.

(b) No deficiency judgment may be rendered against the State or any State governmental unit in any action for breach of any obligation contained in a financing contract or any other related documentation, and the taxing power of the State is not and may not be pledged directly or indirectly to secure any moneys due under a financing contract or any other related documentation.

In the event that the General Assembly does not appropriate funds sufficient to make payments required under a financing contract or any other related documentation, the net proceeds received from the sale, lease, or other disposition of the property subject to the lien or security interest created pursuant to subsection (a) of this section shall be applied to satisfy these payment obligations in accordance with the deed of trust, security agreement, or other documentation creating the lien or security interest. These net proceeds are hereby appropriated for the purpose of making these payments. Any net proceeds in excess of the amount required to satisfy the obligations of the State under the financing contract or any other related documentation shall be paid to the State Treasurer for deposit to the General Fund of the State.

(c) Neither a financing contract nor any other related documentation shall contain a nonsubstitution clause that restricts the right of the State to (i) continue to provide a service or conduct an activity or (ii) replace or provide a substitute for any State property that is the subject of an energy conservation measure.

(d) A financing contract may include provisions requesting the Governor to submit in the Governor's budget proposal, or any amendments or supplements to it, appropriations necessary to make the payments required under the financing contract.

(e) A financing contract may contain any provisions for protecting and enforcing the rights and remedies of the person advancing moneys or providing funds under the financing contract that are reasonable and not in violation of law, including covenants setting forth the duties of the State in respect of the purposes to which the funds advanced under a financing contract may be applied, and the duties of the State with respect to the property subject to the lien or security interest created pursuant to subsection (a) of this section, including, without limitation, provisions relating to insuring and maintaining any property and the custody, safeguarding, investment, and application of moneys.

(f) The interest component of the installment payments to be made under a financing contract may be calculated based upon a fixed or variable interest rate or rates as determined by the State Treasurer.

(g) If the State Treasurer determines that it is in the best interest of the State, the State may enter into, or arrange for the delivery of, a credit facility to secure payment of the payments due under a financing contract or to secure payment of the purchase price of any certificates of participation delivered as provided in this Article. (2002-161, s. 9.)

§ 142-66. Payment provisions.

The payment of amounts payable by the State under a financing contract and any other related documentation during any fiscal biennium or fiscal year shall be limited to funds appropriated for that purpose by the General Assembly in its discretion. No provision of this Article and no financing contract or any other related documentation shall be construed or interpreted as creating a pledge of the faith and credit of the State or any agency, department, or commission of the State within the meaning of any constitutional debt limitation. (2002-161, s. 9.)

§ 142-67. Certificates of participation.

(a) If the State Treasurer determines that the State would realize debt service savings under one or more financing contracts if certificates of participation are issued with respect to the rights to receive payments under the financing contract, then the State Treasurer is authorized to take actions, with the consent of the Council of State, that will effectuate the delivery of certificates of participation for that purpose.

(b) Terms; Interest. – Certificates of participation may be sold by the State Treasurer in the manner, either at public or private sale, and for any price or prices that the State Treasurer determines to be in the best interest of the State and to effect the purposes of this Article, except that the terms of the sale must also be approved by the special corporation. Interest payable with respect to certificates of participation shall accrue at the rate or rates determined by the State Treasurer with the approval of the special corporation.

(c) Trust Agreement. – Certificates of participation may be delivered pursuant to a trust agreement or similar instrument with a corporate trustee approved by the State Treasurer. (2002-161, s. 9.)

§ 142-68. Tax exemption.

Any financing contract entered pursuant to this Article, and any certificates of participation relating to it, shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting income taxes on the gain from the transfer of the financing contract or certificates of participation; and franchise taxes. The interest component of the installment payments made by the State under the financing contract, including the interest component of any certificates of participation, is not subject to taxation as income. (2002-161, s. 9; 2015-264, s. 16(g).)

§ 142-69. Other agreements.

The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, credit enhancement facilities, interest rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with entering into financing contracts and issuing certificates of participation pursuant to this Article. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, fiduciaries, and bond attorneys to be associated with any financing contracts or certificates of participation under this Article as the State Treasurer considers appropriate. (2002-161, s. 9.)

§ 142-70. Investment eligibility.

Financing contracts entered into pursuant to this Article, and any certificates of participation relating to them, are securities or obligations in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions; insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, and other financial institutions engaged in business in the State; and executors, administrators, trustees, and other fiduciaries. Financing contracts entered pursuant to this Article, and any certificates of participation relating to them, are securities or obligations that may properly and legally be deposited with and received by any officer or agency of the State or any political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may later be authorized by law. (2002-161, s. 9.)

§ 142-71: Reserved for future codification purposes.

§ 142-72: Reserved for future codification purposes.

§ 142-73: Reserved for future codification purposes.

§ 142-74: Reserved for future codification purposes.

§ 142-75: Reserved for future codification purposes.

§ 142-76: Reserved for future codification purposes.

§ 142-77: Reserved for future codification purposes.

§ 142-78: Reserved for future codification purposes.

§ 142-79: Reserved for future codification purposes.

Appendix E

General Statute Chapter 116-30.3,
Energy conservation savings.

1 **§ 116-30.3B. Energy conservation savings.**

2 (a) In addition to the funds carried forward under G.S. 116-30.3, the General Fund current
3 operations appropriations credit balance remaining at the end of each fiscal year for utilities of a
4 constituent institution that is energy savings realized from implementing an energy conservation
5 measure shall be carried forward by the institution to the next fiscal year. Sixty percent (60%) of
6 the energy savings realized shall be utilized for energy conservation measures by that institution.
7 The use of funds under this section shall be limited to onetime capital and operating expenditures
8 that will not impose additional financial obligations on the State. The Director of the Budget, under
9 the authority set forth in G.S. 143C-6-2, shall establish the General Fund current operations credit
10 balance remaining in each budget code of each institution.

11 (b) It is the intent of the General Assembly that appropriations to the Board of Governors on behalf
12 of a constituent institution not be reduced as a result of the institution's realization of energy
13 savings. Instead, the General Assembly intends that the amount of appropriations be determined as
14 if no energy savings had been realized. The Director of the Budget shall not decrease the
15 recommended base budget requirements for utilities for constituent institutions by the amount of
16 energy savings realized from implementing energy conservation measures, including savings
17 achieved through a guaranteed energy savings contract.

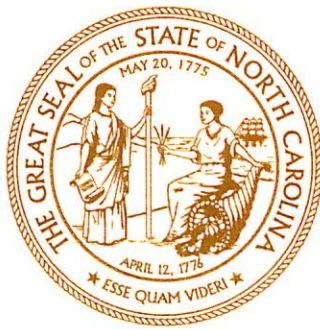
18 (c) Constituent institutions shall submit ~~annual~~ biennial* reports on the use of funds authorized
19 pursuant to this section as required under G.S. 143-64.12.

20 (d) As used in this section, "energy savings," "guaranteed energy savings contract," and "energy
21 conservation measure" have the same meaning as in G.S. 143-64.17. (2010-196, s. 1; 2011-145, s.
22 9.6D(c); 2014-100, s. 6.4(e).)

*Session Law 2023-121 Section 5.(b) has changed annual to biennial.

Appendix F

Executive Order Number 80,
*North Carolina's Commitment to Address
Climate Change and Transition to a Clean
Energy Economy*



State of North Carolina

ROY COOPER
GOVERNOR

October 29, 2018

EXECUTIVE ORDER NO. 80

NORTH CAROLINA'S COMMITMENT TO ADDRESS CLIMATE CHANGE AND TRANSITION TO A CLEAN ENERGY ECONOMY

WHEREAS, North Carolina residents deserve to be better educated, healthier, and more financially secure so that they may live purposeful and abundant lives; and

WHEREAS, N.C. Const. art. XIV, § 5 requires the conservation, protection, and preservation of state lands and waters in public trust; and

WHEREAS, North Carolina is well positioned to take advantage of its technology and research and development sectors, along with its skilled workforce, to promote clean energy technology solutions and a modernized electric grid; and

WHEREAS, public-private partnerships in North Carolina foster market innovations and develop clean energy technology solutions that grow the state's economy; and

WHEREAS, the effects of more frequent and intense hurricanes, flooding, extreme temperatures, droughts, saltwater intrusion, and beach erosion have already impacted and will continue to impact North Carolina's economy; and

WHEREAS, climate-related environmental disruptions pose significant health risks to North Carolinians, including waterborne disease outbreaks, compromised drinking water, increases in disease-spreading organisms, and exposure to air pollution, among other issues; and

WHEREAS, to maintain economic growth and development and to provide responsible environmental stewardship, we must build resilient communities and develop strategies to mitigate and prepare for climate-related impacts in North Carolina.

NOW, THEREFORE, by the authority vested in me as Governor by the Constitution and the laws of the State of North Carolina, **IT IS ORDERED**:

1. The State of North Carolina will support the 2015 Paris Agreement goals and honor the state's commitments to the United States Climate Alliance.

The State of North Carolina will strive to accomplish the following by 2025:

- a. Reduce statewide greenhouse gas emissions to 40% below 2005 levels;
- b. Increase the number of registered, zero-emission vehicles ("ZEVs"; individually, "ZEV") to at least 80,000;
- c. Reduce energy consumption per square foot in state-owned buildings by at least 40% from fiscal year 2002-2003 levels.

2. Cabinet agencies shall evaluate the impacts of climate change on their programs and operations and integrate climate change mitigation and adaptation practices into their programs and operations. Council of State members, higher education institutions, local governments, private businesses, and other North Carolina entities are encouraged to address climate change and provide input on climate change mitigation and adaptation measures developed through the implementation of this Executive Order. Consistent with applicable law, cabinet agencies shall actively support such actions.
3. The Secretary or designee of each cabinet agency and a representative from the Governor's Office shall serve on the North Carolina Climate Change Interagency Council ("Council"), which is hereby established. The Secretary of the North Carolina Department of Environmental Quality, or the Secretary's designee, shall serve as the Council Chair. The North Carolina Department of Environmental Quality shall lead the Council by providing strategic direction, scheduling and planning Council meetings, determining the prioritization of activities, facilitating stakeholder engagement, and assisting in the implementation of pathways to achieve the goals provided in Section 1 of this Executive Order.

The duties of the Council shall include the following:


- a. Recommend new and updated goals and actions to meaningfully address climate change;
 - b. Develop, implement, and evaluate programs and activities that support statewide climate mitigation and adaptation practices;
 - c. Establish workgroups, as appropriate, to assist the Council in its duties;
 - d. Consider stakeholder input when developing recommendations, programs, and other actions and activities;
 - e. Schedule, monitor, and provide input on the preparation and development of the plans and assessments required by this Executive Order;
 - f. Review and submit to the Governor the plans and assessments required by this Executive Order.
4. The North Carolina Department of Environmental Quality ("DEQ") shall develop a North Carolina Clean Energy Plan ("Clean Energy Plan") that fosters and encourages the utilization of clean energy resources, including energy efficiency, solar, wind, energy storage, and other innovative technologies in the public and private sectors, and the integration of those resources to facilitate the development of a modern and resilient electric grid. DEQ shall collaborate with businesses, industries, power providers, technology developers, North Carolina residents, local governments, and other interested stakeholders to increase the utilization of clean energy technologies, energy efficiency measures, and clean transportation solutions. DEQ shall complete the Clean Energy Plan for the Council to submit to the Governor by October 1, 2019.
 5. The North Carolina Department of Transportation ("DOT"), in coordination with DEQ, shall develop a North Carolina ZEV Plan ("ZEV Plan") designed to increase the number of registered ZEVs in the state to at least 80,000 by 2025. The ZEV Plan shall help establish interstate and intrastate ZEV corridors, coordinate and increase the installation of ZEV infrastructure, and incorporate, where appropriate, additional best practices for increasing ZEV adoption. DOT shall complete the ZEV Plan for the Council to submit to the Governor by October 1, 2019.
 6. The North Carolina Department of Commerce ("DOC") and other cabinet agencies shall take actions supporting the expansion of clean energy businesses and service providers, clean technology investment, and companies with a commitment to procuring renewable energy. In addition, DOC shall develop clean energy and clean transportation workforce assessments for the Council to submit to the Governor by October 1, 2019. These assessments shall evaluate the current and projected workforce demands in North Carolina's clean energy and clean transportation sectors, assess the skills and education required for employment in those sectors, and recommend actions to help North Carolinians develop such skills and education.
 7. Cabinet agencies shall prioritize ZEVs in the purchase or lease of new vehicles and shall use ZEVs for agency business travel when feasible. When ZEV use is not feasible, cabinet agencies shall prioritize cost-effective, low-emission alternatives. To support implementation of this directive, the North Carolina Department of Administration ("DOA") shall develop a North

Carolina Motor Fleet ZEV Plan (“Motor Fleet ZEV Plan”) that identifies the types of trips for which a ZEV is feasible, recommends infrastructure necessary to support ZEV use, develops procurement options and strategies to increase the purchase and utilization of ZEVs, and addresses other key topics. DOA shall complete the Motor Fleet ZEV Plan and provide an accounting of each agency’s ZEVs and miles driven by vehicle type for the Council to submit to the Governor by October 1, 2019, and annually thereafter.

8. Building on the energy, water, and utility use conservation measures taken pursuant to N.C. Gen. Stat. § 143-64.12(a), DEQ shall update and amend, where applicable, a Comprehensive Energy, Water, and Utility Use Conservation Program (“Comprehensive Program”) by February 1, 2019, and biennially beginning December 1, 2019, to further reduce energy consumption per gross square foot in state buildings consistent with Section 1 of this Executive Order. The Comprehensive Program shall include best practices for state government building energy efficiency, training for agency staff, cost estimation methodologies, financing options, and reporting requirements for cabinet agencies. DEQ and cabinet agencies shall encourage and assist, as requested, higher education institutions, K-12 schools, and local governments in reducing energy consumption. To achieve the required energy consumption reductions:
 - a. By January 15, 2019, each cabinet agency shall designate an Agency Energy Manager, who shall serve as the agency point of contact.
 - b. Each cabinet agency shall develop and submit an Agency Utility Management Plan to DEQ by March 1, 2019, and biennially thereafter, and implement strategies to support the energy consumption reduction goal set forth in Section 1 of this Executive Order. DEQ shall assess the adequacy of these plans and their compliance with this Executive Order.
 - c. By September 1, 2019, and annually thereafter, each cabinet agency shall submit to DEQ an Agency Utility Report detailing its utility consumption, utility costs, and progress in reducing energy consumption.
 - d. DEQ shall develop an annual report that describes the Comprehensive Program and summarizes each cabinet agency’s utility consumption, utility costs, and achieved reductions in energy consumption. DEQ shall complete this report for publication on its website and for the Council to submit to the Governor by February 1, 2019, and annually thereafter beginning December 1, 2019.
9. Cabinet agencies shall integrate climate adaptation and resiliency planning into their policies, programs, and operations (i) to support communities and sectors of the economy that are vulnerable to the effects of climate change and (ii) to enhance the agencies’ ability to protect human life and health, property, natural and built infrastructure, cultural resources, and other public and private assets of value to North Carolinians.
 - a. DEQ, with the support of cabinet agencies and informed by stakeholder engagement, shall prepare a North Carolina Climate Risk Assessment and Resiliency Plan for the Council to submit to the Governor by March 1, 2020.
 - b. The Council shall support communities that are interested in assessing risks and vulnerabilities to natural and built infrastructure and in developing community-level adaptation and resiliency plans.
10. DEQ shall prepare and manage a publicly accessible Web-based portal detailing the Council’s actions and the steps taken to address climate-related impacts in North Carolina. Cabinet agencies shall submit data, information, and status reports as specified by the Council to be published on the portal. In addition, DEQ shall develop, publish on the portal, and periodically update an inventory of the state’s greenhouse gas emissions that, among other things, tracks emissions trends statewide by sector and identifies opportunities for additional emissions reductions.
11. By October 15, 2019, and annually thereafter, the Council shall provide to the Governor a status report on the implementation of this Executive Order.
12. This Executive Order is consistent with and does not otherwise abrogate existing state law.

13. This Order is effective October 29, 2018 and shall remain in effect until rescinded or superseded by another applicable Executive Order.

IN WITNESS WHEREOF, I have hereunto signed my name and affixed the Great Seal of the State of North Carolina at the Capitol in the City of Raleigh, this the 29th day of October, in the year of our Lord two thousand eighteen.



Roy Cooper
Governor

ATTEST:



Rodney S. Maddox
Chief Deputy Secretary of State



Appendix G

List of Qualified Providers in North Carolina

NC Qualified Providers List, Updated 10/2024

# ESCO	Contact Person	Title	Email	Address	City, State, Zip	Office	Mobile
1 Piedmont Service Group							
	Dale Cranford	Energy Project Sales Engineer	dcranford@piedmontsg.com	1031 Nowell Road	Raleigh, NC 27607	336-553-7768	336-553-7768
	Jay Tripp	General Manager	jtripp@piedmontsg.com	1031 Nowell Road	Raleigh, NC 27607	919-645-5111	252-347-4695
2 CMTA							
	Bill Powell	Project Manager	bpowell@cmta.com	11213 Crestmont Drive	Raleigh, NC 27613	919-724-5439	919-724-5439
	Jeremy Smith	Vice-President	jsmith@cmta.com	9519 Civic Way	Prospect, KY 40059	502-409-4062	
	John Bradshaw	Business Development	jbradshaw@cmta.com	7 Forest Hills Drive	Wheeling, WV 26003	304-551-3882	304-551-3882
	Roger Maybrier	Partner In Charge	rmaybrier@cmta.com	9519 Civic Way	Prospect, KY 40059	502-409-4062	859-361-0997
3 Schneider Electric							
	Alysa Watkins	Senior Account Executive	alysa.watkins@se.com	1630 Gores Landing Road SW	Ocean Isle Beach, NC 28469		919-612-2432
	Graham Lewis	Account Executive	graham.lewis@se.com	1101 Shiloh Glenn Dr	Morrisville, NC 27560		919-758-6093
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	Barry Wilhelm	Sales Team Leader	barry.wilhelm@se.com	6800 Paragon Place, Suite 470	Richmond, VA 23230		540-798-3220
	Donna Byrd	Regional Client Coordinator	donna.byrd@se.com	4329 Cushendale Court	Leland, NC 28451		919-612-2654
4 Siemens							
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	Keith Byrom	Account Executive	keith.byrom@siemens.com	14 Stonewall Court	Irmo, SC 29063		803-960-2222
5 Energy Systems Group							
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	Chad Armstrong	Sales Manger Southeast Region	carmstrong@energysystemsgroup.com	One Alhambra Plaza, Floor PH	Coral Gables, FL 33134	954-995-0008	954-995-0008
6 Brady Trane							
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	Kevin Lynn	Vertical Market Leader	kevin.lynn@bradyservices.com	808 Aviation Parkway, Suite 1100	Morrisville, NC 27560		984-867-7653
	Sean Sewell	Senior Account Executive	sean.sewell@bradyservices.com	1460 Diggs Drive #A	Raleigh, NC 27603		919-750-6947
7 Honeywell							
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	Dan Powel	South East Energy Sales Mgr.	daniel.powel@honeywell.com	512 Pembroke Lane	Waxhaw, NC 28273		980-315-9767
	Dan Hunter	Senior Sales Consultant - Energy & Sustainability	daniel.hunter2@honeywell.com				980-307-1436
8 Trane US							
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	Larry Cummings	Southern Atlantic Manager	larry.cummings@trane.com	10408 Lakeridge Parkway, Suite 100	Ashland, VA 23005		804-836-7513
	John Anderson	Senior Account Manager	john.anderson@trane.com	4501 South Tryon Street	Charlotte, NC 28217		704-218-0213
9 Johnson Controls Inc.							
	Jim Josephson	Senior Account Executive	james.a.josephson@jci.com	9844 Southern Pine Blvd.	Charlotte, NC 28273		704-907-8067
	Steve Zip	Area Sales Manager	steven.m.zip@jci.com	9844 Southern Pine Blvd.	Charlotte, NC 28273		704-223-8943
	Kim Smith	Senior Account Executive	kimberly.l.smith@jci.com	14 Woodcross Drive	Columbia, SC 29212		803-403-3719
10 Noresco							
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	Trey Crayford	National Sales Director	tcrayford@noresco.com	5555 Glenridge Connector, Suite 375	Atlanta, GA	678-553-4864	770-519-6584
	Jim Williams	Vice Pres. General Mgr.	jwilliams@noresco.com	5555 Glenridge Connector, Suite 375	Atlanta, GA	678-553-4860	404-805-6726
11 RWE (formerly Con Edison)							
	John Cain	Sales Executive	cainj@conedceb.com	100 Summit Lake Drive, Suite 210	Valhalla, NY 10595		914-400-6504
	Peter Keating	Dir. Of EE and Renewables	keatingp@conedceb.com	7777 Leesburg Pike Suite, 307 S	Falls Church, VA 22043		703-346-9839
	James Dixon	Executive Officer	james.dixon@rwe.com	100 Summit Lake Drive, Suite 210	Valhalla, NY 10595	914-266-7000	
12 Ameresco							
	Robbie Williams	Senior Account Executive	rwilliams@ameresco.com	5550 77 Center Drive, Suite 380	Charlotte, NC 28217		919-760-7837
	Garrett Raper	Director Project Development	graper@ameresco.com	5550 77 Center Drive, Suite 380	Charlotte, NC 28217	704-916-3514	704-798-0943

Please note: the State Energy Office is currently undergoing a recertification process with ESCOs, as required every three years by 01 NCAC 41B .0402. This process will take place in late 2024/early 2025. One of the results of this process will be an updated Qualified Providers List with updated contact information. Please keep an eye on the State Energy Office website for the most updated NC Qualified Provider List resulting from the 2024 recertification process once it is available: <https://www.deq.nc.gov/energy-climate/state-energy-office/utility-savings-initiative/guaranteed-energy-savings-performance-contracts>.