

REQUEST FOR BOARD ACTION

HENDERSON COUNTY BOARD OF COMMISSIONERS

MEETING DATE: September 19, 2007

SUBJECT: Energy Saving Performance Contract Concept

ATTACHMENTS: No

SUMMARY OF REQUEST:

As a part of Strategic Plan 1.1F to Develop and Implement an Energy Policy and Plan, staff is investigating the concept of a "Performance Contract." Another name for Performance Contract is "Guaranteed Energy Savings Contract." Under such contracts, the contractor identifies improvements in the areas of lighting, indoor air quality and HVAC (heating and air conditioning systems) that would be paid for by a guaranteed energy savings. The important component of the contract is that the contractor must guarantee that the improvements will pay for themselves over a defined period of time, usually ten to fifteen years. Therefore, the contractor must track the energy usage after the improvements are made. If the debt service for the improvements is not realized in the funds saved from the reduction in energy usage, the contractor must pay the difference.

A Performance Contract allows the use of future energy savings to finance facility improvements for existing buildings now. The contracts are in accordance with NC Statute 143-64.17 which requires the following:

- The projects be 100% self-funded including the cost of financing
- The contractor provide a 100% guarantee
- The process have Local Government Commission oversight and approval

Some other governments in North Carolina that have entered into Performance Contracts are Cumberland County with a project size of \$4.3 million and guaranteed savings of \$6.2 million. Wilkes Community College has a contract for \$720,348 with savings of \$1.2 million. Also, Rockingham County Schools has a contract for \$1.9 million with savings of \$4.2 million.

The first step in the process of developing a Performance Contract is to determine which facilities qualify for contracts. If it is determined that there are eligible facilities, a Request for Qualifications is developed. From the responses to the RFQ and based on qualifications, a contractor is selected and recommended to the Board for approval. Upon Board approval, a contract is negotiated and brought back to the Board for approval.

Dave Lowles of Waste Reduction Partners and Richard Self from Johnson Controls, Inc. will be available to provide additional information if needed. Mr. Lowles has been involved in the process by performing energy audits on County Facilities through Waste Reduction Partners. Also Waste Reduction Partners has helped develop the criteria for these contracts and the resulting Statutes. Mr. Self has stated that Johnson Controls would be interested in working with the County Energy Team to identify facilities that qualify for Performance Contracts at no charge. This process will involve reviewing our utility records and comparing them to benchmarks for specific building sizes and uses. Johnson Controls will likely responding to any RFQ submitted by the County.

This item is presented as information regarding specific progress being made on the County Strategic Plan. If agreeable to the Board, staff will prepare and present an implementation plan for this concept at an upcoming meeting. Thank you for your consideration.

BOARD ACTION REQUESTED:

No action requested.

Suggested Motion:

No motion suggested.