



# State Energy Office North Carolina Reid Conway, PEM

# Making ESPC Work in NC



## North Carolina's Public Building Energy Efficiency Program (Utility Savings Initiative)

- Program Purpose:
  - Assist all public sectors in managing utility consumption and costs
- Program Serves:
  - 14 State Agencies
  - 21 UNC Institutions
  - 58 Community Colleges
  - 115 K-12 Public School systems
  - 100 Counties
  - 548 Municipalities
  - Others as time permits

# Making ESPC Work in NC



- Includes
  - Everyone: faculty, staff, students, maintenance, financial, etc.
- Comprehensive program that focuses on
  - Utility accounting
  - Operations and maintenance
  - Facility assessments and audits
  - Identification of possible projects
  - Awareness, Education, outreach, and training
- **Provides on-site assistance**
- **Provides oversight of Performance Contracting**

# Making ESPC Work in NC



What makes NC so different?

- **LGC** – Local Government Commission
- **Statutes** – GS143-64.17
- **Template Documents**
- **Guidelines for Measurement and Verification**
- **Pre-Qualified ESCOs**
- **3<sup>rd</sup> Party Reviews of Annual Reports**

**How we look at ESPC**

# Making ESPC Work in NC



- NC allows no Escalation of Utility Rates unless the ESCO is assuming responsibility for the rate (Yes, the ESCO must guarantee the rate as well)
- NC allows for no baseline adjustments where additional capital is required by the owner to be included into the project as capital.
  - These adjustments become capital contributions to the project allowing an increase in the total cost and not covered by actual guaranteed savings.
- NC has created a **M and V Guideline Manual** for the ESCOs to follow showing minimum M and V requirements for each ECM
- By statute, ALL State ESPCs must have a 3<sup>rd</sup> Party perform annual M and V review of the annual ESCO reconciliation report
- SEO continues to set up all ESCO meetings to go over issues and changes to the program documents

# Making ESPC Work in NC



So in NC we look at simply

MEASURED BASELINE UTILITY DOLLARS  
MINUS

MEASURED CURRENT UTILITY DOLLARS  
EQUALS

ENERGY DOLLAR REDUCTIONS (SAVINGS)

## § 143-64.17. Definitions

"Energy savings" means a **measured reduction** in fuel costs, energy costs, water costs, storm water 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.

# Making ESPC Work in NC



## ESPC Reporting is not working in NC State Government

- State Statutes are not being followed
- Required 3<sup>rd</sup> party reviews are not being made per the contract and by statute
- State Agencies and the UNC System are not sending in proper documentation of annual reconciliation reports as required by statute
- There is no penalty for lack of reporting
- SEO does not have authority correct issues with reporting

**Last year NC was able to only verify 54% of the \$295 million dollars worth of state projects.**

# Making ESPC Work in NC



**We classified all issues into these four categories:**

1. No 3rd Party Review performed (Qualified Reviewer) **6 Projects**
2. 3rd Party Reviewer (Qualified Reviewer) disagrees with ESCO's (Qualified Provider's) guaranteed savings Measurement & Verification Report. Under discussion by parties. **3 Projects**
3. Waiting on documents from State governmental unit. **3 Projects**
4. Expected savings have been realized based on independent review and verification. **7 Projects**

# Making ESPC Work in NC



UNC System Lighting Only Project 15 of 21 Affiliates

Total Project	\$29,208,802
Year 3 of 7 Guaranteed Savings	\$4,085,465
ESCO Reported Savings	\$4,214,229
Shortfall at 8 (-\$68,677)	

ESCO escalated electricity by **2% per year**.  
Electricity performance year three at 13 campuses increased from **.5 to 12.5 %**. **2 Campuses** went down in electricity costs. Only 6 of the 15 campuses experienced a KW rate increase during the year three performance period.



Thank you all very much

**Reid Conway, PEM**

**828-556-9250**

**[reid.conway@ncdenr.gov](mailto:reid.conway@ncdenr.gov)**

**<https://deq.nc.gov/conservation/energy-efficiency-resources/utility-savings-initiative/performance-contracting>**