

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

**REVISED
AGENDA ITEM: 7 – X**

DATE: October 4-6, 2016

SUBJECT: Performance Contracting Building Committees

House Bill 1032 was passed during the 2016 legislative session and made a number of changes and updates to SDCL regarding guaranteed energy savings contracts, often referred to as energy performance contracts. This legislation was prompted after the Board office attempted to contract with an energy service provider, but the statutes did not align with the way the industry functions today, nor did the statutes identify fund sources that would be used to pay for the upgrades. The facility upgrades are usually paid for over time with the energy savings generated from the improvements, which is now provided for in statute.

The additions to the code clarify the process to engage an energy service provider and how the cost of an energy grade audit will be paid for. Black Hills State University and Northern State University are ready to release an RFP requesting an energy grade audit for specific buildings. BOR is working with the Office of the State Engineer (OSE) in drafting the request for proposal (RFP). Energy service companies will respond to the RFP and will then conduct the energy grade audit. The campus can then contract with the energy service company selecting projects identified through the audit with the approval of the Bureau of Administration. The energy savings must be guaranteed by the qualified provider. The funds used to pay for the improvements can be financed through the issuance of bonds, or paid through a lease purchase agreement, or installment payment contracts. The funds that can be used to pay the annual payment are operating funds, capital funds, or utility savings. If no projects are selected, the campus must pay for the energy grade audit. Two years ago, the Board approved \$50,000 from HEFF to cover the cost of an energy grade audit. These funds will be used to cover the cost of an energy grade audit for BHSU and NSU if no projects are identified that are deemed worthwhile. If projects are selected, the energy grade audit is included in the performance contract guarantee.

A building committee is needed for NSU and BHSU for the purpose of selecting the qualified provider. The RFP responses will be reviewed and rated by OSE, the campus and the Board office, and a recommendation will be forwarded to the building committee. The building committee will then select the qualified vendor from the ratings or if necessary will hold interviews for the firms. The Board president will appoint the regental members.

DRAFT MOTION 20161004_7-X: I move approval of the appointment of building committees for BHSU, NSU and SDSU for their guaranteed energy savings projects.