

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 7 – C

DATE: May 10, 2022

SUBJECT

NSU Energy Performance Contract

CONTROLLING STATUTE, RULE, OR POLICY

[SDCL § 1-33B](#) – Energy Performance Contracts

[BOR Policy 5:3](#) – Agreements and Contracts

[SDCL § 5-14-3](#) – Preparation of Plans and Specifications for Capital Improvements

BACKGROUND / DISCUSSION

The Energy Performance Contracts statute SDCL § 1-33B provides for energy saving projects to be financed with the utility & operational savings realized from energy performance projects. The projects must garner enough savings for the total project cost to be paid back within 15 years.

NSU contracted with SiteLogIQ Inc., an energy service company (ESCO), to complete an energy audit, which has identified nearly \$1.7 million of cumulative energy savings, including operational savings, over the 15-year period. The proposal includes such projects as updating LED lighting, building energy management system retro-commissioning to improve operation and comfort, sequencing exhaust fans to match occupancy needs, repairing the primary steam boiler system to enhance and extend useful life, repairing or replacing steam traps, replacing sinks, toilets, and urinals with high efficiency fixtures, and improving building envelopes at NSU.

A critical piece of the financing structure is to retain the general fund utility savings resulting from these projects. Those general fund savings will be retained by NSU to pay the annual debt service for project costs related to academic buildings. Utility savings in the revenue facilities will be used to pay the annual debt services for the portion of the project costs associated with revenue buildings. Once the energy loan has been repaid, the energy savings resulting from improvements to academic facilities will be returned to the State of South Dakota and the savings generated by the revenue buildings will be retained by the auxiliary system.

(Continued)

DRAFT MOTION 20220510_7-C:

I move to approve the NSU Energy Performance Contract at an estimated cost of \$1,700,000 to be paid for with energy savings over a 15-year period and to enter into a 15-year State Energy Loan at zero percent interest with the Bureau of Administration.

Per SDCL, the ESCO must perform measurement and verification of the energy savings for a three-year period. If those savings are not realized, the ESCO is responsible to cover the shortfall in the annual lease payment.

These projects will result in \$78,567 in utility savings each year, \$67,269 in savings to the State and another \$11,298 in savings to the Auxiliary System, which are broken down as follows:

| <u>Utility</u> | <u>Savings</u> | <u>Savings Compares to</u> | <u>% Savings</u> |
|----------------|-----------------|-----------------------------------|------------------|
| Electricity | 826,700 kWh | 73 homes' electricity for a year | 35% |
| Natural Gas | 13,230 MMBtu | 142 homes' electricity for a year | 30% |
| Water | 530,200 gallons | 16 peoples water usage for a year | 5% |

NSU has coordinated with the State Energy Office to prequalify NSU's guaranteed savings project with the State Energy Loan (SEL) program which will provide a zero percent (0.00%) loan to be repaid over a 15-year term. The project is expected to begin in the summer of 2022 and be completed within twelve months.

IMPACT AND RECOMMENDATIONS

NSU is requesting to enter into a performance contract with SiteLogIQ Inc. to complete multiple energy efficiency projects using utility savings to pay for the project. The total cost of the projects is estimated to be \$1,683,997. The projects are dependent on the state allowing the savings to be preserved for loan payments over the 15-year payback period.

Current Board policy requires contracts having significant policy implications to be approved by the Board. Because of the unique nature of this project, the Board is being asked to approve the contract with SiteLogIQ, Inc. and the application for 0% loan provided through the State Energy Office.

ATTACHMENTS

None