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HOUSE BILL NO. 1707

Offered January 14, 2009

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A BILL to amend and reenact § 11-34.3 of the Code of Virginia, relating to energy performance-based contracts; local assistance.

Patrons—Oder, Athey, Lingamfelter and Rust

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:**1. That § 11-34.3 of the Code of Virginia is amended and reenacted as follows:**

§ 11-34.3. Energy Performance-Based Contract Procedures; required contract provisions.

A. Any contracting entity may enter into an energy performance-based contract with an energy performance contractor to significantly reduce energy costs to a level established by the public body or operating costs of a facility through one or more energy conservation or operational efficiency measures.

B. The energy performance contractor shall be selected through competitive sealed bidding or competitive negotiation as defined in § 2.2-4301. The evaluation of the request for proposal shall analyze the estimates of all costs of installation, maintenance, repairs, debt service, post installation project monitoring and reporting.

C. Before entering into a contract for energy conservation measures and facility technology infrastructure upgrades and modernization measures, the contracting entity shall require the performance contractor to provide a payment and performance bond relating to the installation of energy conservation measures and facility technology infrastructure upgrades and modernization measures in the amount the contracting entity finds reasonable and necessary to protect its interests.

D. Prior to the design and installation of the energy conservation measure, the contracting entity shall obtain from the energy performance contractor a report disclosing all costs associated with the energy conservation measure and providing an estimate of the amount of the energy cost savings. After reviewing the report, the contracting entity may enter into an energy performance-based contract if it finds (i) the amount the entity would spend on the energy conservation measures and facility and technology infrastructure upgrades and modernization measures recommended in the report will not exceed the amount to be saved in energy and operation costs more than 20 years from the date of installation, based on life-cycle costing calculations, if the recommendations in the report were followed and (ii) the energy performance contractor provides a written guarantee that the energy and operating cost savings will meet or exceed the costs of the system. The contract may provide for payments over a period of time not to exceed 20 years.

E. The term of any energy performance-based contract shall expire at the end of each fiscal year but may be renewed annually up to 20 years, subject to the contracting entity making sufficient annual appropriations based upon continued realized cost savings. Such contracts shall stipulate that the agreement does not constitute a debt, liability, or obligation of the contracting entity, or a pledge of the faith and credit of the contracting entity. Such contract may also provide capital contributions for the purchase and installation of energy conservation and facility and technology infrastructure upgrades and modernization measures that cannot be totally funded by the energy and operational savings.

F. An energy performance-based contract shall include the following provisions:

1. A guarantee by the energy performance contractor that annual energy and operational cost savings will meet or exceed the amortized cost of energy conservation measures. The guaranteed energy savings contract shall include a written guarantee of the qualified provider that either the energy or operational cost savings, or both, will meet or exceed within 20 years the costs of the energy and operational savings measures. The qualified provider shall reimburse the contracting entity for any shortfall of guaranteed energy savings projected in the contract.

2. A requirement that the energy performance contractor to whom the contract is awarded provide a 100 percent performance guarantee bond to the contracting entity for the installation and faithful performance of the installed energy savings measures as outlined in the contract document.

3. A requirement that the energy performance contractor provide to the contracting entity an annual reconciliation of the guaranteed energy cost savings. The energy performance contractor shall be liable for any annual savings shortfall that may occur.

G. *The Department of Mines, Minerals and Energy (the Department) shall:*

1. *Provide assistance, upon request, to local governments that wish to enter into an energy performance-based contract pursuant to this section;*

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59 2. Compile information annually concerning the progress of energy efficiency and energy
60 conservation achieved through energy performance-based contracting initiatives at the state and local
61 level, and post such information on its website; and
62 3. Notify local governments of their responsibilities pursuant to this section.
63 H. Local governments shall:
64 1. Notify the Department, by December 1, 2009, or as soon after as practical, of any existing energy
65 performance-based contract; and
66 2. Provide a copy of any energy performance-based contract to the Department within 30 days of
67 entering the contract.
68 Local governments may require the contracting entity to satisfy or assist with satisfying any
69 reporting requirements of this section.