new ECMs, (5) Savings which would not reduce consumption per se but are aimed at cost savings, such as fuel switching, demand reductions, on-site generation, utility bill auditing, utility rate changes, distribution upgrades etc. **Any stipulated energy and/or operational cost savings that may be attributed to this project will be rigorously reviewed and, if agreed to, will be limited to those that can be thoroughly documented and approved by the ISSUER.**

No Guaranteed Energy Savings Contract shall exceed 15 years in duration from the date of acceptance of the project, as defined in **§ 142-64**, and must comply with all other applicable statutes, regulations, and procurement laws. Proposals for this RFP should not exceed the term stated in section 1.7. The cost savings achieved by the installed ECMs must be sufficient to cover all project costs including annual maintenance and monitoring fees on an annual basis for the duration of the term of the Energy Savings Performance Contract.

The ESCO must guarantee sufficient energy and cost savings to enable the ISSUER to meet its payment obligations to the ESCO and the entity financing the Guaranteed Energy Savings Contract. ESCOs will be required to guarantee energy and cost savings on an annual basis. No credit for the achievement of savings above and beyond the annual guarantee will be credited to satisfy performance guarantees in other years of the contract. Annual reconciliation of the achieved savings will be required.

1.5. **Security Requirements:** The Office of State Treasurer has determined that the following general types of security for the guaranteed energy savings would be acceptable, however specific instruments of security as part of a financing contract for energy conservation measures will need to be approved by the Office of the State Treasurer as per N.C.G.S. § 142-64(a) for each guaranteed energy savings contract. These general types are:

1.5.1. ***A corporate guarantee*** by the ESCO provided that the ESCO has a long-term investment grade corporate rating from one or more of the national credit rating agencies. Currently, this would be a minimum rating of BBB from Standard and Poor's, Baa from Moody's Investors Service, or BBB from Fitch Ratings.

1.5.2. ***A corporate guarantee*** from the parent company of an ESCO which is owned as a subsidiary of the parent. The parent company would be required to maintain a long-term investment grade rating from one or more of the national credit rating agencies (see above.)

1.5.3. ***An irrevocable letter of credit*** from a financial institution which covers the entire term of the contract, without need of renewal.

1.5.4. ***A surety bond*** which covers the entire term of the contract, without need of renewal.

1.5.5. ***Financing by the qualified provider*** or ESCO in which the qualified provider or ESCO provides all financing required for the entire term of the contract. Financing may only be transferred or assigned to the extent that energy savings are realized, and State property may not be encumbered in any form as part of the financing.