

**COST-EFFECTIVE GOVERNMENTAL ENERGY USE ACT (EXCERPT)**  
**Act 625 of 2012**

**18.1714 Definitions; E to O.**

Sec. 4. (1) "Energy performance contract" means a contract between a governmental unit and a qualified energy service provider for evaluation, recommendation, and implementation of 1 or more cost-savings measures. An energy performance contract may be structured as either a guaranteed energy savings contract or an energy savings performance contract.

(2) "Energy savings performance contract" means a contract under which the rate of payments is based upon energy and operational cost savings and a stipulated maximum energy consumption level over the life of the contract.

(3) "Governmental unit" means a department, state agency, or state authority.

(4) "Guaranteed energy savings contract" means a contract that includes all of the following:

(a) The design and installation of equipment.

(b) If applicable, operation and maintenance of any of the measures implemented.

(c) Guaranteed annual savings from reduced energy consumption and operating costs or increased operating efficiency that meet or exceed the total annual contract payments made by the governmental unit for the contract, including financing charges to be incurred by the governmental unit over the life of the contract.

(5) "Investment grade audit" means a study by the qualified energy service provider selected for a particular energy performance contract project that includes detailed descriptions of the improvements recommended for the project, the estimated costs of the improvements, and the operations and maintenance cost savings and utility cost savings projected to result from the recommended improvements.

(6) "Operation and maintenance cost savings" means a quantifiable and governmental unit approved decrease in operation and maintenance costs or future replacement expenditures that is a direct result of the implementation of 1 or more utility cost-savings measures. Operation and maintenance cost savings shall be calculated in comparison with an established baseline of operation and maintenance costs.

**History:** 2012, Act 625, Eff. Mar. 28, 2013.