



2017 Annual Legislative Report

Local Energy Efficiency Program & Energy Savings Partnership

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Prepared by
Minnesota Department of Commerce, Division of Energy Resources

Pursuant to Minnesota Statutes 216C.43, subd. 12

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Executive Summary

The following is the 2017 annual report on projects studied and implemented under the programs enabled by Minnesota Statutes 216C.42 & 43. This report meets the requirements outlined in Minnesota Statute 216C.43 subd. 12.

The Department of Commerce (Commerce) operates the Local Energy Efficiency Program (LEEP) and the Energy Savings Partnership (ESP). LEEP provides local units of government with technical services to conduct energy project studies. The ESP is a standard energy project financing agreement for local units of government managed by the Saint Paul Port Authority through contract with Commerce. These combined programs enable local governments to easily identify and implement energy conservation measures that help meet locally-identified energy and greenhouse gas emissions goals as well as reduce the financial burden from utility bills and operations and maintenance costs.

The ESP was created in 2012 as a standard lease-purchase financing agreement. Two million dollars in Commerce funds were dedicated as a loan loss reserve to make a wider range of energy project sizes and types financially viable for smaller communities across Greater Minnesota. The ESP has funded several energy projects since inception through lease-purchase financing. Two projects were funded in 2017 through the ESP, totaling \$693,000 in project investment and a projected annual energy utility bill savings of \$48,000 in 226,000 total building square feet. Prior to 2017, the ESP financed seven energy projects at local governments with a total project cost of \$4,487,617 and in buildings with a cumulative square footage of 816,360.

LEEP was formally launched in 2016. A Master Contract with ten engineering firms was established, along with the program requirements to provide a pool of qualified contractors as well as standard contract and procurement documents to local governments. Commerce issued a Request for Proposals, evaluated the responses and negotiated the Master Contract with the qualified firms.

Commerce led an intense LEEP program development and outreach process during 2017, contacting over 100 local governments, attending events and partnering with outside community and economic development organizations. Commerce also partnered with these and other organizations to create new marketing materials, integrate LEEP into utility rebate programs and partner with the Department of Education to integrate LEEP into state long-term facility maintenance revenue dollars. Staff interacted directly with 30 local governments on how LEEP could integrate with their facility and energy plans. While several have expressed strong interest, none has at this time signed on to complete an Investment Grade Audit. Commerce continues to expand the conversation to new local governments through different channels, while developing potential projects with local governments that had previously expressed interest in Commerce energy programs.

History

Minnesota Statutes 216C.42 and 216C.43 grant the Department of Commerce authority to provide local units of government with technical services in conducting energy project studies, a standard project financing agreement and a supplemental cash flow agreement for local units of government. Local units of government are defined as a Minnesota county, statutory or home rule charter city, town, school district, park district or any combination of those units operating under an agreement to exercise powers jointly.

Energy Savings Partnership (ESP)

In addition to the authority to offer energy project studies to local units of government, Minnesota Statutes 216C.42 and 216C.43 also direct Commerce to provide a “standard project financing agreement” through private financial institutions for local units of government wishing to implement energy improvement projects. Commerce must review projects to determine eligibility.

In 2012 Commerce entered into a contractual agreement with the Saint Paul Port Authority (SPPA) to administer the Energy Savings Partnership (ESP) Program to offer lease-purchase financing to local governmental units across Minnesota to complete energy efficiency and renewable energy improvements on their properties.

The ESP was established after \$2 million in Commerce funds were committed to establish a loan loss reserve (LLR) fund which leveraged \$20 million in private equity from US Bank to issue lease-purchase financing agreements under the program. This LLR allows the SPPA to offer lower interest rates for a wider range of project sizes, which makes smaller projects in cities, counties and school districts across Greater Minnesota viable. To protect the LLR dedicated by Commerce and to ensure that high-quality projects leverage other existing state energy programs, Commerce must review and approve any project seeking financing through the ESP on the basis of:

- Technical and economic feasibility, with a projected positive cash flow each year of the financing agreement
- Provision for continued operation and maintenance of the project
- Use of Conservation Improvement Program opportunities with the utilities providing gas and electric service

Since 2012, the ESP financed seven energy projects at local governments with a total project cost of \$4,487,617 and in buildings with a cumulative square footage of 816,360.

Local Energy Efficiency Program (LEEP)

The energy efficiency improvement program for local units of government was formerly titled the Public Buildings Enhanced Energy Efficiency Program (PBEEEP). The Department of Commerce (Commerce) initially contracted with the Center for Energy and Environment (CEE) to develop and administer the local government PBEEEP offering. In April 2012, all program materials were turned over to Commerce, including program designs, technical standards, basic marketing materials and pilot study data and reports.

PBEEEP was re-instated by Commerce in 2012 as a Master Contract with 26 engineering firms using existing program guidelines. As Commerce developed the Guaranteed Energy Savings Program (GESP), it was evident there was significant overlap between GESP and PBEEEP. Priority was given to the development of GESP because it offered technical assistance to a wider range of building owners and was directed towards larger energy savings projects. The PBEEEP Master Contract was cancelled in 2014 when it was determined the program structure needed significant changes to better meet the needs of local units of government as a complement to other energy programs offered by Commerce. This streamlining of programs has created efficiencies in the development, promotion and delivery of both GESP and LEEP.

In 2016, Commerce hired a dedicated program administrator to re-develop the energy efficiency improvement program for local governments. A new name was given to differentiate the program from previous versions: Local Energy Efficiency Program (LEEP). This will help the promotion of the program to both providers (e.g., engineering firms entering into the Master Contract) and local units of government who may have seen PBEEEP materials or program guidelines in the past.

A Request for Proposals (RFP) was drafted during 2016 and marketing of the program began to potential engineering firms, including those involved in PBEEEP and other firms with energy study capabilities. Initial outreach to potential local units of government was also conducted during 2016. Commerce entered into a LEEP Master Contract agreement with 10 firms in September 2016 and hosted events with the firms to clarify roles and responsibilities.

2017 Annual Summary and Metrics

Energy Savings Partnership

Overview

The Energy Savings Partnership (ESP) contract between the SPPA and Commerce was amended on July 27, 2017. This amendment left intact the terms and conditions of the previous year’s amendment, but extended the terms through 2018. Commerce worked with the SPPA to develop a tool and process for loan application intake, including a checklist for local governments to complete to ensure smooth technical review by Commerce.

ESP funded two projects in 2017. These projects were located in the City of Red Lake Falls and the City of Appleton.

City of Red Lake Falls

The City of Red Lake Falls project funded implementation of energy conservation measures (ECMs) at 10 buildings as part of an energy savings performance contract (ESPC). ECMs included retrofitting interior and street lighting, retrofitting existing mechanical equipment such as furnaces and ventilation with high-efficiency, and improving the “building envelope,” the physical barriers where energy can be lost, including windows, doors, walls, ceilings and foundations. In addition to the energy savings outlined in the table “2017 ESP Detailed Metrics” below, the project also resulted in estimated annual operations and maintenance savings of \$5,242.

The project funded in the City of Red Lake Falls highlights the complementary nature of Commerce’s energy programs. Prior to Red Lake Falls entering into a performance contract, Commerce had engaged with staff regarding energy programs such as LEEP and the Guaranteed Energy Savings Program (GESp), which also included informing and educating staff and elected officials about the ESP. While Red Lake Falls did not choose to pursue LEEP or GESp, they received early technical guidance and their energy project leveraged the low-cost financing provided through ESP.

City of Appleton

The project funded within the City of Appleton was much smaller in scope than a typical ESPC, focusing primarily on air conditioning retrofits in a handful of city-owned buildings. At only \$116,000, this underscores the value of the ESP to smaller local governments seeking financing for projects on smaller commercial buildings. Financial institutions do not generally lend or lease for projects of this size, but the loan loss reserve (LLR) set up through Commerce and the SPPA make these smaller projects viable at competitive interest rates.

Metrics

Commerce reports on high-level metrics of the ESP to the U.S. Department of Energy (DOE) on a quarterly basis. Commerce has reported the following milestone and metrics in 2017:

2017 ESP Metrics Overview

Metric Description	2017
Building Retrofits	
Buildings Retrofitted (count)	11
Square footage Retrofitted (sqft)	226,000
Loans Given	
Number of loans supported by LLR (count)	2
Total monetary value of loans supported by LLR (\$)	\$693,313

Detailed project information for the two projects funded through ESP in 2017 as well as a cumulative summary of previous years' projects can be found in the following table.

2017 ESP Detailed Metrics

Site	ESP Financing Amount (\$)	Total Project Cost (\$)	Buildings	Total Square Footage	Calculated Energy Savings (kWh)	Actual Energy Savings (kWh)	Calculated Energy Savings (\$)	Actual Energy Savings (\$)
City of Red Lake Falls	\$576,685	\$576,685	10	200,000	271,540	unknown	\$36,264	unknown
City of Appleton	\$116,628	116,628	1	26,000	34,012	unknown	\$13,727	unknown
2017 Total	\$693,313	\$693,313	11	226,000	305,552	unknown	\$47,991	unknown
Figures Reported in Previous Years	\$4,487,617	\$4,487,617	7	816,360	525,594	unknown	\$101,819	unknown
Cumulative Total	\$5,180,930	\$5,180,930	18	1,042,360	831,146	unknown	\$149,810	unknown

Local Energy Efficiency Program

Overview

Commerce focused heavily on continuing the development and outreach of the LEEP throughout 2017, following the completion of the Master Contract in 2016. Commerce has focused its efforts on several key areas, detailed below.

Program Development

Commerce finalized remaining programmatic documents and process for local governments, including a new combined LEEP and GESP Joint Powers Agreement that gives local governments flexibility to pursue whichever program is the best fit. A minor amendment to the LEEP Master Contract is drafted and ready to execute prior to release of first Site-Specific Request For Proposals at a local government.

Commerce performed analysis alongside the Clean Energy Resource Teams (CERTs) to identify high-potential local government targets based on past engagement. Commerce directly communicated with over 100 local governments as a result. To complement this, Commerce staff trained CERTs regional coordinators on LEEP and developed a specific outreach and intake process for potential projects. Commerce also utilized its relationship with CERTs to develop marketing tools, blog posts and new presentations.

Through partnership with CERTs, staff developed a relationship with the Iron Range Resources and Rehabilitation Board (IRRRB), training their staff and identifying commonality between energy programs and economic development. This led to several potential project conversations between Commerce and cities on the Range.

Commerce staff attended several local government conferences, including the League of Minnesota Cities annual conference, the Minnesota Association of School Business Officials conference, Minnesota Educational Facilities Management Professionals (MASMS) chapter meetings and CERTs regional events targeted at local governments.

Staff targeted wastewater treatment facilities for energy studies, leveraging data and engagement done through the U.S. Department of Energy Wastewater Treatment Accelerator program at Commerce.

The result of these pipeline development efforts led to Commerce giving training and engaging on local government facility energy use and goals by phone, webinar or in-person meetings with 30 cities, counties and schools.

Commerce staff will continue to develop potential LEEP projects with local governments in the future by increasing program awareness at association events, hosting meetings and webinars, and developing stronger ties with other organizations and utilities.

Leveraging External Organizations and Programs

Commerce is an active steering member of the Minnesota GreenStep Cities program, which provides technical resources to member cities. Commerce staff integrated LEEP to the GreenStep program's list of best practices,

updating the website and emailing member cities. Staff also leveraged outside organizations such as the Coalition of Greater Minnesota Cities and Association of Minnesota Counties to email member local governments.

Commerce also drove a partnership with the Retiree Environmental Technical Assistance Program (RETAP) housed at the Minnesota Pollution Control Agency. RETAP provides a low-level audit for businesses and public entities using retired engineers throughout the state. Commerce identified a change to RETAP's intake process and worked with staff to integrate LEEP and GESP into RETAP messaging, along with changing RETAP preliminary energy reports for local governments to include a recommendation to leverage LEEP or GESP for full project implementation.

Utility Programs

Commerce staff leveraged relationships with Minnesota utilities to begin integrating LEEP into their business plans. Staff gave LEEP training to utilities involved with Commerce's Technical Reference Manual, a set of standard methodologies and inputs for calculating the savings impacts and cost-effectiveness of energy measures in Minnesota's Conservation Improvement Program (CIP). Commerce has since followed up with several utilities to integrate LEEP into energy studies, recommissioning studies and other rebate programs aimed at local governments.

School Districts

Commerce identified in 2017 that school districts have different needs than cities, counties or other local governments eligible for LEEP due to new Long-Term Facilities Maintenance Revenue (LTFMR) streams that place limits on equipment and long-term financing. Commerce has worked with the Minnesota Department of Education to integrate LEEP into LTFMR guidelines and reporting requirements for school districts, as well as modifying LEEP program documents and site-level standard contracts to include school revenue guidelines for firms in the LEEP Master Contract. This process has yielded two sites as pilots for developing energy projects that specifically leverage LTFMR as guides for future school projects.

These efforts have proven valuable as many local governments are in the LEEP intake process and have shown interest in signing a Joint Powers Agreement to proceed with an investmentgrade audit through LEEP. Commerce staff also learned a great deal about barriers to utilizing LEEP at different local governments, varying by population, budget or energy reduction opportunity. Commerce has begun crafting several new marketing documents and modifying program structure to overcome these barriers.

While no local governments have completed an investment grade audit, Commerce anticipates that several projects will move forward in 2018.

Metrics

Commerce reports on high-level metrics of the LEEP to the U.S. Department of Energy (DOE) on a quarterly basis. At the time this report was written, Commerce has completed the following 2017 milestones and metrics and reported them to the DOE.

2017 LEEP Milestones

Milestone Description	2017
Technical Assistance	
Number of program audits performed	0
Marketing Collateral	
New marketing tools created	6

2017 LEEP Metrics Overview

Metric Description	2017
Building Energy Audits	
Audits performed (count)	0
Floor space studies (sqft)	0
Calculated energy savings (kWh)	0
Building Retrofits	
Buildings retrofitted (count)	0
Square footage retrofitted (sqft)	0
Informational Contacts	
Number of detailed contacts (count)	30
Workshops, Training & Education	
Number of sessions (count)	8
Number of people attending (count)	108

Conclusions & Next Steps

Commerce will continue to develop the Energy Savings Partnership with the Saint Paul Port Authority in the coming year through specific identified improvements to the program. This includes better aligning ESP marketing with Commerce energy programs, increasing the outreach for the program through better tools and event presence, building new external-facing program documents to better integrate with local government project and finance flows, and improving reporting information and internal review processes. The contract between Commerce and the SPPA will be up for renegotiation again in 2018, allowing for better definition of expectations from both parties.

LEEP continues to gain traction with local governments through the outreach and engagement efforts of Commerce and its outside partners. Commerce is continually improving the way LEEP reaches local governments and provides value – from partnering with new outside organizations that have deep relationships with elected officials and staff at local governments, to integrating LEEP into utility programs and marketing to help achieve their energy reduction goals alongside local governments. In addition, Commerce has taken an active role in listening to stakeholders who have not found the program to be a good fit and translating those barriers to programmatic changes to best meet the needs of local governments of all sizes.

LEEP will continue to be an important part of Commerce’s technical assistance portfolio for local governments, complementing the Guaranteed Energy Savings Program and Energy Savings Partnership. In 2018, Commerce staff will focus efforts on refining the program, completing work with outside organizations and utilities to integrate program elements into business plans, extending those efforts to other organizations and utilities, and driving the completion of several investment grade audits.