



This document provides answers to common questions on the Local Government PBEEEP program. For additional questions or information requests on Local Government PBEEEP, contact:

Center for Energy and Environment (PBEEEP Contacts)

Mark Hancock, Director – PBEEEP Programs: 612/ 335- 5861

Christie Traczyk, Program Manager – Local Government PBEEEP: 612/ 335-2651

pbеееplocal@mncee.org

Frequently Asked Questions:

1. *What does PBEEEP stand for?*

Public Buildings Enhanced Energy Efficiency Program.

2. *What is the purpose of the program?*

PBEEEP will target cost-effective energy efficiency improvements for Minnesota public buildings via retrofit or re-commissioning opportunities and will assist local governments in seeking financing at attractive interest rates.

3. *Is PBEEEP Mandatory?*

The program is not mandatory; however, it is highly recommended. There is often opportunity to enhance and optimize current operations and systems/equipment at a facility, even when other energy related projects and activities have been conducted in the past. PBEEEP provides an attractive option for Local Government Units to complete these projects by providing access to project funding options that maintain a budget-neutral budget status and access to the technical assistance, framework, and support offered through PBEEEP.

4. *What is the difference between the State Government and Local Government PBEEEP programs?*

The State PBEEEP is directed by the Dept. Of Administration, Real Estate and Construction Services (RECS) and applies to state owned and operated buildings. The State Government PBEEEP is the result of legislative action (MN Stat §16B.321-2 enacted in 2008).

The Local Government PBEEEP is directed by the Dept. Of Commerce, Office of Energy Security (OES) and applies to local government owned and operated buildings. Local Government PBEEEP is a result of legislative action (MN Stat §216C.42-43 enacted in 2008).

There are several differences between how the programs will be implemented including contracting and project funding. The program administrator (the Center for Energy and Environment) will provide updates on the programs' webpage (www.pbееep.org) as they become available.

An important similarity of both programs is the consistent quality and technical rigor of the PBEEEP process. The requirements and standards for execution and management of the two PBEEEP programs will follow similar technical guidelines. Both programs will be administered and managed by CEE, including project management and oversight of technical work.

5. *Can our Local Government Unit apply now?*

Yes. Applying to PBEEEP is a simple process. Visit the PBEEEP website, www.pbееep.org, and select the PBEEEP Local Government link. In the top menu bar, select 'apply'. You will be able to apply directly from the website or can print off the application form and submit it over email, fax, or mail (directions for all are included in the application). Please contact program staff directly with any questions on the application process using the 'Contact Us' link on the website.

An important criterion in targeting project candidates is through the evaluation of building/site energy use. Local units of government can prepare for PBEEEP by entering building/site information and utility data into the MN B3 benchmarking tool for public buildings (www.mnbenchmarking.com). This will allow the program to review energy use information in advance and may speed up the initial steps to kicking off the project process.

6. *We have a building that is not very big, can it participate?*

Currently there are no restrictions on the size of buildings that can participate in the program. We expect to look at a variety of sizes and types of facilities, which will allow us to develop a prediction of where energy efficiency enhancement opportunities are likely to be found. Historically, recommissioning efforts have been most cost-effective in large buildings (over 50,000 square feet).

Utility bills normalized to size of the building are an important indicator of the potential of a building to achieve savings under the PBEEEP program. Let's assume the minimum cost to do a full investigation of a small building is \$2500, and the recommended measures cost \$5000 for a total of \$7500. In order to get a three year payback, the utility savings would need to be \$2500 per year. Various studies of building commissioning find typical savings in a range from 5-15%, so buildings with low utility costs, in

example utility bills of under \$12,000 a year (\$1,000 a month), are unlikely to generate sufficient savings for the program to be cost effective.

7. *We want to put in a renewable energy system, can we use this program?*

The program will look at the entire building and then recommend measures to be implemented. The implementation of a renewable energy system may be one of the recommended measures. Most renewable energy systems have a long payback period and would not qualify to be implemented as standalone projects, but when combined with other energy efficiency measures, utility rebates and stimulus funds, may become cost effective to implement under the terms of the program.

It is the intent of the program to have all recommended measures implemented. By combining longer payback measures (5 years or more) with shorter payback measures the overall project payback will hopefully be reduced to enable it to be funded by the program.

8. *We have wanted to do a remodeling project for several years that has not been funded, can we use this program?*

The PBEEEP program is intended to finance projects that address energy affecting or energy consuming equipment and systems, which may or may not include remodeling. The PBEEEP process starts with a comprehensive diagnosis of the building that looks at existing equipment and system operations. If the screening and investigation phases indicate that equipment retrofits would lead to energy conservation within an acceptable payback period (based on cost of implementation and energy savings achieved), the retrofit will be considered under the program guidelines. Specific project situations that involve remodeling work that has been planned or is in progress will be reviewed and considered on a situational basis, since the majority of these types of projects will have situational specific criteria that will need to be evaluated by PBEEEP staff in conjunction with the Local Government Unit.

9. *How does our organization go about implementing ECOs that we already have from an existing study or audit?*

PBEEEP has received several inquiries regarding this question, where studies or audits have been completed at a facility and had to be shelved for various reasons. These projects could potentially be integrated into PBEEEP. PBEEEP would need to evaluate the studies and work with your Local Government Unit to determine what options may be best for the project. Because Local Government Units are entering into financial agreements based on the projected savings and costs that come from these studies, it is critical that investigation and analysis approaches, calculations, and assumptions are all reviewed in detail by PBEEEP engineers before the potential project could move forward in PBEEEP. Due to the specialized nature of these situations, PBEEEP recommends contacting the program directly for additional information and to discuss with staff.

10. Will the building be disrupted during the process?

There will be no disruption during the application or screening phases. During the investigation phase workmen may be on site, primarily in utility rooms, but also checking building spaces for comfort and effectiveness of the building utilities. The implementation phase may involve minor construction, such as the replacement of pumps, motors and lighting with more efficient equipment, but major disruption is not anticipated.

11. How will the cost-effectiveness of measures be determined?

The criteria for deciding cost-effectiveness, upon completion and approval of all technical reviews, will be Simple Payback, Useful Life, and Cash-Flow.

Simple payback is the time required to recapture the initial project costs from the energy and other cost savings. The simple payback calculation takes the aggregated costs associated with a group of approved measures, divided by the annual savings the measures achieve, to determine the payback. Additionally, financing charges and interest would be factored in to determine the total amortization schedule. In general, RCx focused activities for aggregated measures result in paybacks typically between 2-6 years. Retrofit activity paybacks are dependent on the type of system and/or equipment and application. These may have longer paybacks due to the higher capital costs associated with these activities. MN Statute caps the term of individual measure paybacks at 15 years. Grouped measures will likely include individual measures that have both longer paybacks as well as individual measures with shorter paybacks; however, once aggregated, will generally reduce the overall payback for higher payback measures, making these higher cost options more attainable. The Local Government Unit is responsible for servicing the loan for the term of the payback.

The Useful Life of each measure of an energy improvement project must exceed the time required to recapture the initial project costs.

The energy and other cost savings must be calculated to provide a positive cash flow for the participating local unit of government to make loan and principal payments in each year of the financing agreement.

12. What is the approval process for energy improvement projects?

There will be approval steps at each stage of project. All buildings will be screened, and PBEEEP expects that most will have the detailed investigation performed. The final stage of the Investigation phase is the presentation of suggested measures for energy improvements, and Local Government Unit will select which measures to implement, with the assistance of PBEEEP.

13. How will qualified energy improvement projects be funded?

Lease Purchase Financing

The lease purchase financing mechanism is designed to be the primary project funding instrument in PBEEEP. The program will work with each LGU to identify the best option for their lease purchase financing. This may be through accessing a master lease program or preferred lenders' list managed by the state, through competitive financing offered to LGUs by lenders not associated with a state program, or by working directly with the LGUs local lender(s). Practically, the lease purchase agreement operates like an installment loan. The savings achieved through implementation of energy conservation measures will service the loan (designed to be budget-neutral or budget-positive for the LGU).

Opportunity for Co-Funding

PBEEEP, through funding by the Department of Commerce, pays for the projects costs of the Screening Phase and Investigation Phase. These funds will function like a no interest loan. PBEEEP will work with the LGU, prior to moving into the Investigation Phase, to determine the appropriate level of co-funding. Most PBEEEP projects are expected to identify implementable energy savings opportunities, where the LGU would be asked to repay these front end costs. These would be rolled into project funding in a way that will maintain a budget-neutral or budget-positive status for the LGU, and the recovered costs will be used to pay for future projects in the program.