



Local Energy Efficiency Program (LEEP)
2015 & 2016 Consolidated Annual Legislative Report

Submitted Pursuant to:
Minnesota Statutes section 216C.43, subd. 12

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Executive Summary

The following is the 2015 and 2016 consolidated annual report on projects studied and implemented under the programs enabled by Minnesota Statute, Stat. sections §216C.42 & 43. This report meets the requirements outlined in Minn. Stat. §216C.43 subd. 12.

The Department of Commerce (Commerce), under statutory authority, operates the Local Energy Efficiency Program (LEEP) to provide local units of government technical services to conduct energy project studies, the Energy Savings Partnership (ESP), 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 financial burdens.

LEEP was formally released in 2016 through a Master Contract with ten energy firms. Commerce issued a Request for Proposals, evaluated the responders, and negotiated the Master Contract with the qualified firms, which was signed in September 2016. While no energy studies have resulted from the LEEP in 2016, Commerce actively marketed the program to potential local governments and has several opportunities ready for 2017.

The ESP was created in 2012 as a standard lease-purchase financing agreement. \$2 Million 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 2016 through the ESP, totaling over \$1.5 million in project investment and a projected annual energy savings of over \$100,000 in over 400,000 total building square feet.

With LEEP formally launched, Commerce expects energy studies to begin in 2017 and beyond, with a high percentage of these being implemented as energy savings projects. Commerce has staff in positions to market its suite of programs positioned to meet a variety of local government project types, as well as a readily available financing mechanisms to implement projects. We look forward to helping local governments meet their stated goals in the years to come.

History

Minnesota Statutes §216C.42 and §216C.43 grants the Department of Commerce authority to provide local units of government 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.

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.

Three pilot studies at local units of government were completed under PBEEEP: Washington County, City of Alexandria, and Chisago Lakes School District. Of these, only Chisago Lakes School District implemented an energy project using the results of the energy study. Previous Annual Legislative Reports stated no projects were implemented. However, outreach efforts conducted during 2015 to these sites for feedback on creating the new LEEP revealed that one of the pilot project sites, the Chisago Lakes School District, did in fact implement the project as proposed by the PBEEEP Investment Grade Audit. Implementation activities at Chisago Lakes School District were carried out in between November 2012 and June 2013 based on records obtained from Chisago Lakes School District staff. This information is reflected in [Appendix A: Final PBEEEP Metrics](#).

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.

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.

Commerce conducted investigation into the former PBEEEP program, previous studies completed and projects implemented under it, and previous engineering firm feedback during 2015 in order to craft a new Master Contract and LEEP program tools. A Request for Proposals (RFP) was drafted during 2015 and marketing of the program began to potential engineering firms, including ones involved in PBEEEP and other firms with energy study capabilities. Initial outreach to potential local units of government was also conducted during 2015.

Energy Savings Partnership

In addition to the authority to offer energy project studies to local units of government, Minnesota Statutes §216C.42 and §216C.43 also directs 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 authorize 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 ensure 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

Prior to 2016, the ESP financed five energy projects at local governments with a total project cost of \$2,966,964 and in buildings with a cumulative square footage of 403,983.

2016 Annual Summary & Metrics Overview

Local Energy Efficiency Program (LEEP)

Overview

Commerce released the LEEP Request for Proposals (RFP) for providers of energy studies (Providers) on February 15, 2016 with a close date of April 4, 2016. Prior to and during the RFP posting period, Commerce marketed the RFP to former PBEEEP Master Contract participants as well as other known engineering firms across the state and region to maximize interest and firm responses. Additionally, Commerce participated in several events hosting wastewater treatment facility engineering firms to broaden the pool of candidate technical expertise.

During the RFP posting period, Commerce hosted a webinar to provide background information on the LEEP, provide clarification on RFP sections and terms, and allow for an open Q&A session. A recording of the video, along with slides, notes, and responses to all questions were posted to the Commerce website following the webinar.

The LEEP Master Contract RFP received eleven (11) responses. The list of firms is below:

- Amec Foster Wheeler Environment & Infrastructure, Inc.
- Center for Energy & Environment (CEE)
- CESA 10
- The Energy Group
- Gausman & Moore
- H&H Energy Services, Inc.
- Hammel, Green and Abrahamson, Inc.
- Karges-Faulconbridge, Inc. (KFI)
- Schneider Electric
- Sustainable Engineering Group, LLC
- Wendel Companies

The evaluation team included four Division of Energy Resources (DER) employees, who individually scored each proposal. DER Energy Grants & Contracts staff provided support and oversight of the evaluation process.

Of the eleven responders, ten (10) were chosen to move forward to contract negotiation. All ten were able to come to agreement on a standard Master Contract, which was fully executed in September 2016. The following firms are current participants in the LEEP Master Contract:

- Amec Foster Wheeler Environment & Infrastructure, Inc.
- Center for Energy & Environment (CEE)

- CESA 10
- Gausman & Moore
- H&H Energy Services, Inc.
- Hammel, Green and Abrahamson, Inc.
- Karges-Falconbridge, Inc. (KFI)
- Schneider Electric
- Sustainable Engineering Group, LLC
- Wendel Companies

Commerce held a LEEP Kickoff on December 1, 2016 with all LEEP Providers to help provide clarity in roles, responsibilities, marketing opportunities, and typical project process and timelines.

Commerce marketed the program throughout 2016 to potential local governments. Staff attended events including the League of Minnesota Cities Annual Conference, the Minnesota Educational Facility Management Professionals (MASMS) conference, participating in educational events through GreenStep Cities, and more. In addition, Commerce continued its partnership with the Clean Energy Resource Teams (CERTs) to leverage statewide regional development staff to market the program. As a result, several interested cities, counties, and school districts with viable potential projects are now in the LEEP project intake funnel.

Metrics

Commerce reports on high-level metrics of the LEEP to the US Department of Energy (DOE) on a quarterly basis. At the time this report was written, Commerce has completed the following 2016 milestones and metrics and reported to the U.S. Department of Energy (USDOE):

Table 1: LEEP Milestones

Milestone Description	2016
Technical assistance	
Number of program audits performed	0
Marketing Collateral	
New marketing tools created	3

Table 2: LEEP Metrics Overview

Metric Description	2016
Building Energy Audits	
Audits Performed	0
Floor Space Studied (sq.ft)	0
Calculated Energy Savings (kWH)	0
Buildings Retrofits	
Buildings Retrofitted (count)	0
Square Footage Retrofitted (sq.ft)	0
Informational Contacts	
Number of contacts (count)	5
Workshops, Training, & Education	
Number of sessions (count)	6
Number of people attending (count)	100

Energy Savings Partnership

Overview

The Energy Savings Partnership (ESP) contract between the SPPA and Commerce was amended on June 30, 2016. This amendment modified terms and expiration of the LLR, made explicit reference to LEEP and GESP as eligible vehicles of energy project studies, and clarified the energy study approval process between SPPA and Commerce.

As of the writing of this report, ESP funded two (2) projects in 2016. These projects were both located at K-12 school districts: County of Wabasha ISD No. 811 and ISD 2365 – Gibbon Fairfax Winthrop (GFW) Schools.

Metrics

Commerce reports on high-level metrics of the ESP to the US Department of Energy (DOE) on a quarterly basis. At the time of writing this report, Commerce has completed the following milestone and metrics in 2016:

Table 3: ESP Metrics Overview

Metric Description	2016
Buildings Retrofits	
Buildings Retrofitted (count)	2
Square Footage Retrofitted (sqft)	412,377
Loans Given	
Number of loans supported by LLR (count)	2
Total monetary value of loans supported by LLR (\$)	\$1,520,653

Detailed Performance Metrics

Local Energy Efficiency Program (LEEP)

Because LEEP was re-launched in 2016, no energy studies, energy projects, or technical services were provided under the LEEP program in 2016. Commerce expects to have several during 2017 and will have detailed metrics aggregated and by project available upon completion and pursuant to statutory requirement.

Updated information for projects done under PBEEEP is included in [Appendix A: Final PBEEEP Metrics](#). These tables follow the reporting format from previous years. The cumulative data from PBEEEP will be included in LEEP reporting tables in future legislative reports.

Energy Savings Partnership

Detailed project information for the two projects funded through ESP can be found in [Appendix B: Detailed Energy Savings Partnership Metrics Tables](#).

Conclusion & Next Steps

With the LEEP Master Contract signed, program documents and tools largely finalized, program marketing underway, and several projects already in the LEEP intake process, 2017 is poised for success. Commerce anticipates several energy studies will be completed in 2017. The standard Joint Powers Agreement between Commerce and local governments includes requirements to pursue implementing viable energy projects, so Commerce expects real energy and financial savings to result from the many studies enabled by LEEP.

Program staff will continue messaging and marketing LEEP to different local government sectors' specific needs and issues. The LEEP program administrator is now Commerce's representative to GreenStep Cities, and manages several other programs and grants specifically related to local governments, allowing Commerce to position LEEP as a primary method for local governments to achieve energy savings goals. Commerce will continue to work with partners like CERTs to improve our combined marketing and outreach methods, with a focus on working with organizations across the state such as League of Minnesota Cities, Association of Minnesota Counties, school administration associations, and

Finally, Commerce will finalize the programmatic elements of LEEP and ESP. This includes a Supplemental Cash Flow Agreement to manage risk for energy projects, and a project application form for the ESP to speed up the review process for energy projects applying for financing that did not use LEEP or GESP.

Appendix A: Final PBEEEP Metrics

As the report states, outreach to former PBEEEP pilot project participants revealed new information on implemented projects. These following tables provide cumulative results for the delivery of PBEEEP through 2012.

Given the programmatic changes and evolution of PBEEEP to LEEP, future reporting will show cumulative PBEEEP and LEEP project results, but will be updated to a new format.

**Updates to previously reported metrics in the 2012 PBEEEP Annual Legislative Report are highlighted in yellow*

Table A1: Project Count

Total Number of Projects (aggregate):	Reporting Period	Total
Applications (received)*	3	3 (Pilot Projects)
Screen Phase**	3/3	3/3 (Pilot Projects)
Investigation Phase**	2/3	2/3 (Pilot Projects)
Implementation Phase	1/3	1 (Pilot Project)
Verification Phase	1/3	1 (Pilot Project)
Completed***	1/3	1 (Pilot Project)

* All applications received are also included in the screening phase

** First number is the number of projects starting the phase in the quarter; second number is the total number in process during the quarter

*** Completed projects include those where investigation was not recommended following screening

Table A2: Building Count

Total Number of Projects (aggregate):	Reporting Period	Total Square Feet	Total ³
Screen Phase ¹	32/32	1,785,893	32
Investigation Phase ¹	21/32	1,581,983	21
Implementation Phase	4/32	488,354	4
Verification Phase	4/32	488,354	4
Completed ²	11/32	unknown	11

¹ First number is the number of buildings entering the phase in the year; second number is the total number in process during the year (includes those with a future start date)

² Completed buildings include those where investigation was not recommended following screening

³ Totals are cumulative totals (completed and in process)

Amount of calculated energy savings for each project

Table A3: Energy and Cost Savings

Total Energy and Cost Savings (aggregate)	Total
Electric Savings	
Annual Savings (kWh)	112,334
Annual Cost Savings (\$)	\$6,115
Peak Demand Savings	
Annual Savings (kW)	unknown*
Annual Cost Savings (\$)	unknown*
Gas Savings	
Annual Savings (kWh)	23,607
Annual Cost Savings (\$)	\$16,406
GHG reductions (US tons)	226

*No supporting data was provided in the project documents

Table A4: Project Costs

Project Name and Phase:	Reporting Period ¹		Total	
	CEE Technical Services	Provider Project Cost	CEE Technical Services ²	Provider Project Cost
PILOT: Washington County	\$ 1,848.75	\$ 38,320.25	\$15,091.25	\$168,609.10
PILOT: City of Alexandria	\$ 811.25	\$ 3,400.00	\$11,163.75	\$34,000.00
PILOT: Chisago Lakes School District	\$ 14,452.50	\$ 149,482.95	\$23,952.50	\$215,535.90
Total	\$17,112.50	\$191,203.20	\$50,207.50	\$418,145.00

1 Based on billed hours invoiced from 01/01/2012 to 12/31/2013 - this differs from the 2012 Annual Report

2 Based upon total CEE Technical Services invoiced from 09/01/2009 to 12/31/2013

Technical Services Costs

Table A5: Technical Services Costs for CEE Services

Development Costs (aggregate):	Reporting Period¹	Total²
Program Development Costs	\$42,430.30	\$451,800.80
Center for Energy and Environment	\$42,430.30	\$373,646.30

¹ Based on hours billed from 01/01/2012 to 05/11/2013.

² Based on total hours billed from contract start of 9/01/2009 through 04/30/2013.

Appendix B: Detailed Energy Savings Partnership Metrics Tables

Table B1: 2016 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 (\$)
County of Wabasha ISD No. 811	\$623,825	\$623,825	1	264,677	214,746	unknown	\$40,530	unknown
Table 3B: ISD 2365 - GFW Schools	\$896,828	\$896,828	1	147,700	310,848	unknown	\$61,289	unknown
Total	\$1,520,653	\$1,520,653	2	412,377	525,594	N/A	\$101,819	N/A