

05 - 0040



Date: January 14, 2005
From: *Dana B. Badgerow*
Dana B. Badgerow,
Commissioner of Administration
To: Peggy Ingison, Commissioner of Finance
Sen. Keith Langseth, Chair, Senate Capital Investment Committee
Rep. Dan Dorman, Chair, House of Representatives Capital Investment Committee
Subject: Guaranteed savings contracts report

The 2003 Minnesota Legislature enacted Minnesota Statute 16C.144, "Guaranteed savings contracts," which requires that the Commissioner of Administration submit a list of projects in state facilities that have been funded using guaranteed energy savings during the preceding biennium. The report must be submitted by January 15 of 2005 and 2007 to the Commissioner of Finance and the Chairs of the Senate and House of Representatives Capital Investment Committees. This report is prepared in compliance with Subdivision 5 of the legislation.

The legislation required that the Department of Administration develop "Guaranteed savings contracting guidelines" detailing policies, procedures and requirements of guaranteed savings contracts. Additionally, the legislation required the Department of Administration to select qualified guaranteed savings contractors through a competitive process in accordance with the guaranteed savings contracting guidelines within the Department of Administration.

Energy Management Services (EMS) of the Plant Management Division, Department of Administration, developed the first version of guaranteed savings contracting guidelines in October 2003 in consultation with Materials Management Division of the Department of Administration, Minnesota Attorney General's Office and the Minnesota Department of Finance.

As per the guaranteed savings contracting guidelines, EMS developed and published a Request for Qualification in December 2003 seeking qualified contractors. EMS received eight (8) responses from various energy services companies across the United States. EMS formed an evaluation committee representing various state agencies to evaluate the responses and to select qualified contractors. The evaluation committee in February 2004 selected all eight (8) companies as qualified providers. The list of qualified providers will be updated biennially.

EMS then started developing a Request for Proposal (RFP) for three pilot projects. The RFP included a standardized "Guaranteed Energy Savings Agreement" which was developed in consultation with Materials Management Division, Department of Finance and the Attorney General's Office. The RFP was issued to all eight (8) qualified contractors in August 2004 and the evaluation committee selected the contractor for the pilot projects in September 2004.

After careful evaluation, one of the three pilot projects was eliminated because it did not meet the required payback.

EMS is proceeding with the other two projects.

EMS developed and authored lease-purchase agreements, guaranteed energy savings agreements and inter-agency agreements for the pilot projects. Executive summaries of pilot projects follow.

The State of Minnesota now has the process in place to implement energy efficiency improvements in more than 12 million square feet of state-owned buildings.

| DEPARTMENT OF ADMINISTRATION Guaranteed Energy Savings Pilot Projects Executive Summary FY 2005 | | | | | |
|--|---|------------------|--|------------------------|---------------------------|
| State Facility | Utility Cost Savings Measures | Project Cost | Guaranteed Annual Utility Cost Savings | Simple Payback (Years) | Scheduled Completion Date |
| Lake Superior College | Lighting Retrofit, Energy Management System Upgrade, Water System Optimization & Vending Machine Controls | \$378,750 | \$53,565 | 7.07 | March 31, 2005 |
| Fond du Lac Tribal and Community College | Lighting Retrofit, Energy Management System Upgrade, Water System Optimization & Vending Machine Controls | \$167,717 | \$20,773 | 8.07 | March 31, 2005 |
| Total | | \$546,467 | \$74,338 | 7.35 | |