Montana Department of
ENVIRONMENTAL QUALITY

Planning, Prevention & Assistance Division
Energy and Pollution Prevention Bureau
1520 Sixth Ave
Helena MT 59620-0901

MEMORANDUM

DATE:	April 7, 2014
TO:	Director Mike Batisa
FROM:	Andrea Stinson –Program Manager State Buildings Energy Conservation Program (SBECP)
SUBJECT:	State Energy Project Memorandum of Agreement A&E Project 2012-12-01-01

Enclosed you will find the Men's State Prison High-Side Laundry Renovation Memorandum of Agreement (MOA) for your agency's 2013 HB5 energy project funded by the State Building Energy Conservation revolving loan program.

This MOA has been written to reflect the programmatic process and the amortization table reflects the current project cost repayment. The billing account instructions contained in the MOA are referenced in the Montana Operations Manual, Chapter 345.

The billing for state funded projects will begin one year from completion of the project beginning in February 2016.

If you have any questions, please call me at 444-6460 or send an email Astinson@mt.gov.

MEMORANDUM OF AGREEMENT

Between
Montana Department of Environmental Quality
And
Department of Corrections
Men's State Prison- High Side
Laundry Renovation
A & E 2012-12-01-01

This Memorandum of Agreement (**MOA**) is made and entered into between the Montana Department of Environmental Quality, hereinafter referred to as DEQ, and the **Department of Corrections**, hereinafter referred to as the Agency.

Background

The State Buildings Energy Conservation Program (SBECP) reduces operating costs in state facilities by identifying and funding cost-effective energy and water efficiency improvements. All projects are designed so that cost savings resulting from the investments will be sufficient to repay the investments; in most cases, savings will continue well after the investment has been repaid.

This program uses state special funds specifically allocated to the program. DEQ in some cases augments the program funds with utility funding to complete the evaluation and implementation of efficiency improvements. The resulting cost savings are used, in turn, to pay back the funds for reinvestment in other energy and water efficiency projects.

DEQ, through established contracting policies and procedures, contracts with private engineering firms to perform comprehensive energy analyses of state facilities and may also engage the services of utility companies to complete audits of less complex state facilities or may use DEQ engineering staff to complete the audits. DEQ reviews the studies and recommends cost effective energy improvements for implementation.

Estimated energy and water cost savings are projected utility savings based on engineering models using average weather condition, anticipated occupancy, building operation parameters, and current fuel rates. These estimated savings are the source of funds for repaying the investment in the project and are captured by dividing the agency's utility budget into two portions, the amount of the budget that is still needed for utility costs, and the amount of the budget that is no longer needed for utility costs because of efficiency savings that is then used to repay the project costs. DEQ will bill the agency once a year to recover the project costs and deposit funds collected into the Energy Conservation Repayment Account. Savings are based on utility costs at the time an energy analysis is completed and on the known building use at the time of the energy analysis. The utility costs and savings estimates may be adjusted if there are additional energy consuming measures installed at the time of the project or if building use changes in a way that increases energy use.

Purpose

The purpose of this MOA is to reduce energy use and lower the utility costs for the Agency by implementing a project based on a completed energy analysis of the Men's High-Side laundry facility. The Agency desires to participate in the program, and has determined that cost-effective energy savings could be achieved with the project. Project costs include the cost of the energy analysis, the SBECP expenditures for the construction of the project, and 3% interest calculated on an annual percentage rate. State law requires that energy cost savings be placed in the Energy Conservation Repayment Account until the cost of the project is repaid.

A listing of costs and a Repayment Schedule are included for this agreement in Attachment A. These costs are based on construction bids. Costs also assume that regular payments for principal and interest are made annually according to an amortization table in Attachment B. If construction costs differ, or if annual payments change because of early repayment, a new amortization table will be prepared.

Following installation of the project, DEQ shall collect and evaluate energy use data to determine whether energy improvements are performing as expected. If they are not, DEQ and the Agency may modify Attachment A-Project Costs and Attachment B Repayment Schedule.

DEQ uses State Buildings Energy Conservation Program funds to leverage utility contributions wherever feasible by negotiating cost-share arrangements with the utility. Typically a utility cost-share allows additional improvements that would otherwise not be possible. In these cases, DEQ will include energy savings from the investment of utility funds in calculating the benefits to the project but will not require that utility contributions be repaid and therefore will not include them in the project costs in Attachment A.

The Agency shall contact DEQ if there are any concerns about its ability to achieve savings from the project. DEQ shall review the potential problem and determine whether Attachment A. should be modified.

The Agency shall begin paying the annual payment as indicated in Attachment A. If the Agency does not recognize a full year of savings due to the completion date of the project, DEQ shall determine, and the Agency shall pay, a partial payment based on the percentage of annual savings recognized. The Agency shall disburse the annual payment as requested by DEQ. The Agency shall pay the annual payment indicated in Attachment A in subsequent fiscal years until the total repayment indicated in Attachment A has been repaid. A partial payment may be requested in the final year of the repayment term, in accordance with the established Repayment Schedule contained in Attachment A.

Energy savings will be captured through the biennial budgeting process. Details on the accounting process and codes used are included in Attachment C.

The Department and the Agency recognize that the actual cost of the project could change the amount of the agreement, early principal payments could change the length and total amount to be repaid, and accounting guidelines could change. Modifications to this agreement that result in lower project costs, a lower amount to be repaid, or changes in accounting guidelines can be made through a memo from DEQ with revised attachments A, B, or C. Any modifications to this agreement that result in higher costs to the agency must be made through an amendment that is signed by both parties.

This Memorandum of Agreement shall remain in effect until the Agency has reimbursed DEQ for the Total Repayment indicated in Table 1. **The first year of billing will be FY 2016.**

DEPARTMENT OF ENVIRONMENTAL QUALITY

4·24·14
Date

TRACY STONE-MANNING, Director

1520 Sixth Avenue
P. O. Box 200901
Helena, Montana 59620-0901

Department of Corrections

4/16/14
Date

Mike Batista, Director

5 S. Last Chance Gulch
P.O. Box 201301
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Attachment A

State Buildings Energy Conservation Program Costs

Energy Analysis Cost	0
SBECP Funds for Construction	$650,000
Total Project Interest	$223,804
Total Amount to be Repaid	$873,804
Annual Payment	$43,690
Term of Repayment	20 years
1ST Year Payment is Due	2016; February 1, 2016

Attachment B
Amortization Table
EPPB 14-05 A&E 2012-12-01-01-DOC-MSP HS Laundry Renovation

Compound Period: Annual

Nominal Annual Rate: 3.000 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	02/01/2014	650,000	1		
2	Payment	02/01/2015	43,690	20	Annual	02/01/2034

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	08/01/2014				650,000
1	08/01/2015	43,690	19,500	24,190	625,810
2	08/01/2016	43,690	18,774	24,916	600,894
3	08/01/2017	43,690	18,027	25,663	575,231
4	08/01/2018	43,690	17,257	26,433	548,798
5	08/01/2019	43,690	16,464	27,226	521,572
6	08/01/2020	43,690	15,647	28,043	493,529
7	08/01/2021	43,690	14,806	28,884	464,645
8	08/01/2022	43,690	13,939	29,751	434,894
9	08/01/2023	43,690	13,047	30,643	404,251
10	08/01/2024	43,690	12,128	31,562	372,689
11	08/01/2025	43,690	11,181	32,509	340,180
12	08/01/2026	43,690	10,205	33,485	306,695
13	08/01/2027	43,690	9,201	34,489	272,206
14	08/01/2028	43,690	8,166	35,524	236,682
15	08/01/2029	43,690	7,100	36,590	200,092
16	08/01/2030	43,690	6,003	37,687	162,405
17	08/01/2031	43,690	4,872	38,818	123,587
18	08/01/2032	43,690	3,708	39,982	83,605
19	08/01/2033	43,690	2,508	41,182	42,423
20	08/01/2034	43,690	1,267	42,423	0
Grand Totals		873,800	223,800	650,000	

Last interest amount decreased by 6 due to rounding.

Attachment C
Adjustments to Agency Budgets

The following adjustments will be made to the agency's budgets in the biennia following the project's completion until the total repayment is made:

1. State Accounting Code 69205–Principal Payment-SBECP, and Code 69206-Interest Expense-SBECP, will be added to the budget templates.
2. The amount of the annual payment indicated in Table 1 will be split to Code 69205-Principal Payment-SBECP and Code 69206-Interest Expense-SBECP based on the Attachment A Repayment Schedule.
3. The utility budget (State Accounting Codes 62601 or 62603) will be decreased by an equal amount.

The Agency shall disburse to DEQ the annual payment each fiscal year at DEQ's request. DEQ shall deposit the amounts disbursed by the Agency into the Energy Conservation Repayment Account.

Accounting instructions for the MOA are governed by Generally Accepted Accounting Principles (GAAP) and Montana Operations Manual (MOM), Chapter 345. If accounting treatment changes because of changes to GAAP or MOM, the parties shall communicate those changes via written inter-agency memorandum or email rather than modification to this MOA.