

MEMORANDUM OF AGREEMENT

Between
Montana Department of Environmental Quality
And
Department of Corrections
Montana Women's Prison Replace HVAC Systems
A & E 2013-26-01-01

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 (SBCEP) 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 Women's Prison 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 SBECF expenditures of \$499,500 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 this case a rebate incentive from Northwestern Energy \$39,000 was received. 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

12/30/14

Date



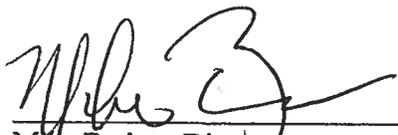
Tom Livers, Director

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

Department of Corrections

12/4/14

Date



Mike Batista, Director

5 S. Last Chance Gulch
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Attachment A**State Buildings Energy Conservation Program Costs**

Energy Analysis Cost	0
SBECF Funds for Construction	\$499,500
Total Project Interest	\$171,980
Total Amount to be Repaid	\$671,480
Annual Payment	\$33,574
Term of Repayment	20 years
1 ST Year Payment is Due	2016; August 2016

**Attachment B
Amortization Table**

EPPB 14-08
A&E 2013-26-01-01
DOC-Women's Prison Replace HVAC Systems

Compound Period: Annual

Nominal Annual Rate: 3.000 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	08/01/2015	499,500	1		
2	Payment	08/01/2016	33,574	20	Annual	08/01/2035

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	08/01/2015				499,500
1	08/01/2016	33,574	14,985	18,589	480,911
2	08/01/2017	33,574	14,427	19,147	461,764
3	08/01/2018	33,574	13,853	19,721	442,043
4	08/01/2019	33,574	13,261	20,313	421,730
5	08/01/2020	33,574	12,652	20,922	400,808
6	08/01/2021	33,574	12,024	21,550	379,258
7	08/01/2022	33,574	11,378	22,196	357,062
8	08/01/2023	33,574	10,712	22,862	334,200
9	08/01/2024	33,574	10,026	23,548	310,652
10	08/01/2025	33,574	9,320	24,254	286,398
11	08/01/2026	33,574	8,592	24,982	261,416
12	08/01/2027	33,574	7,842	25,732	235,684
13	08/01/2028	33,574	7,071	26,503	209,181
14	08/01/2029	33,574	6,275	27,299	181,882
15	08/01/2030	33,574	5,456	28,118	153,764
16	08/01/2031	33,574	4,613	28,961	124,803
17	08/01/2032	33,574	3,744	29,830	94,973
18	08/01/2033	33,574	2,849	30,725	64,248
19	08/01/2034	33,574	1,927	31,647	32,601
20	08/01/2035	33,574	973	32,601	0
Grand Totals		671,480	171,980	499,500	

Last interest amount decreased by 5 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-SBECF, and Code 69206-Interest Expense-SBECF, 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-SBECF and Code 69206-Interest Expense-SBECF 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.