



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: May 13, 2014

To: Council Member Lisa Goodman, Community Development & Regulatory Services Committee

Subject: Trillion BTU Energy Efficiency Loan Program

Recommendation:

- 1. Authorize City staff to enter a Lender Agreement with the Port Authority of the City of Saint Paul, Minnesota for a Trillion BTU Energy Efficiency Loan Program.**
- 2. Approve the attached guidelines for the Trillion BTU Energy Efficiency Loan Program.**

Previous Directives: None.

Prepared by: Becky Shaw, CPED Business Development	Phone: 612-673-5066
Approved by: Charles T. Lutz, Interim Director CPED	_____
Catherine A. Polasky, Director, Economic Policy & Development	_____
Presenters in Committee: Becky Shaw	

Reviews

- Permanent Review Committee (PRC): Approval _N.A._ Date _____

Financial Impact

- Other financial impact: City participation capital for the Trillion BTU Loan Program will be provided as part of the authorized budgeted items for Small Business Loan Programs in the CPED Budget. The program is self-supporting through the revolving loan fund nature of the program, similar to the other small business assistance programs of the City of Minneapolis administered through CPED.

Community Impact

- Neighborhood Notification: Notification was sent on 4/28/14.
- City Goals: Great Places where natural and built spaces work together and our environment is protected.
- Sustainability Targets: The Program will assist with the City's efforts on climate change and renewable energy.
- Comprehensive Plan: Projects funded through the Program will be in compliance with the City's Comprehensive Plan.
- Zoning Code: Projects will comply.
- Living Wage/Business Subsidy Agreement Yes _____ No X The Program is not subject to the State Business Subsidy Act in that the financial assistance is for energy conservation. The Program is also exempted from the City's local Ordinance on Living Wage based on the exemption.
- Job Linkage Yes _____ No X

Supporting Information

The Trillion BTU program is an energy conservation loan program targeted at reducing energy output and implementing conservation methods throughout Xcel Energy's service territory. The program was developed to complement Xcel Energy's conservation programs and the State of Minnesota's Economic Development tools by providing cash flow-based financing for commercial, industrial and non-profit projects. Trillion BTU offers energy audits to a business, paid for by Xcel Energy. If the original audit identifies energy efficiency opportunities, an engineering study can be performed on the facility with Xcel paying 75% of the study, up to \$25,000. Qualifying energy improvements can be financed by applying directly to the St Paul Port Authority (SPPA). The SPPA can finance up to \$1 million at a 4% interest rate for a term equal to the payback amount of the improvements. Local participation in the Trillion BTU program is both appreciated and encouraged by the SPPA and the State of Minnesota.

The Trillion BTU program was originally capitalized with a grant of \$5 million from the Minnesota Department of Commerce. The grant was passed through to the SPPA with the understanding that some of these resources would be deployed in Minneapolis. The program was further capitalized by subsequent grants in the amounts of \$3.1 million and \$6.8 million from the State of Minnesota's allocation under the American Recovery and Reinvestment Act (ARRA).

Since program inception in May 2010, the SPPA has approved 33 energy-efficiency projects for financing throughout the Xcel Energy territory. The 33 projects represent approximately \$17,000,000 of total project costs, which are financed with \$8,500,000 of Trillion BTU funds and received \$2,500,000 in Xcel Energy rebates. Based on information submitted in the individual applications, the projects will save 100 billion BTUs per year and \$3 million in annual operating costs. Of those 33 projects, 5 of them were completed in Minneapolis. The five projects used \$623,000 of CPED small business 2% loan funds, earning \$518,000 in Xcel Energy rebates and leveraging an additional \$4,322,000 in SPPA Funds. These five projects are estimated to result in energy savings of approximately 14,650 MMBTUs per year, which is the equivalent of saving \$621,000 annually on utility bills. The amount of annual savings on utilities nearly covers the CPED debt service on all five loans.

SPPA has total capital of \$14,850,000 available through 2015 to assist in energy efficiency projects. The City of Minneapolis participated in 5 loans during the first 3 year operating period of the program utilizing our current 2% Revolving Loan Fund Program. These

projects were funded through the 2% program as a stopgap measure to nimbly respond to an opportunity to secure significant outside dollars supporting business investments aligned with the City's sustainability objectives. Staff believes that this program should have its own adopted guidelines, proposed here, and that the relationship with the SPPA should be formalized through an executed Lender Agreement. Through the attached Trillion BTU guidelines, CPED could participate in financing large-scale energy efficiency projects in the City of Minneapolis with up to \$150,000 in City dollars at a 4% interest rate and at a term equal to the time it takes to pay back the loan in energy savings. It is the goal of CPED to fund an additional 8 loans in the next 3 year period in participation with SPPA. We expect the City's participation in these loans to leverage approximately \$7 million in dollars from the SPPA capital pool, \$1 million in Xcel energy rebates, with close to \$1 million annually in energy cost savings.

Trillion BTU Program
Guidelines & Requirements Summary

Summary

The Trillion BTU program is an energy conservation program funding commercial and industrial energy efficiency investments throughout the Xcel Energy territory in the State of Minnesota. The program was implemented to complement Xcel's energy conservation by providing cash-flow based financing for commercial, industrial and non-profit initiatives that might otherwise not be completed. The St. Paul Port Authority (SPPA) received grant funds from the State of Minnesota to capitalize and administer Trillion BTU throughout the Xcel Service area. Through a partnership between Minneapolis and SPPA, Minneapolis business owners can take advantage of low interest financing for the energy efficient equipment and energy reduction investments of up to \$1 million.

The Process

A business owner voluntarily agrees to an energy audit, paid for by Xcel Energy. If the audit identifies energy efficiency opportunities, a detailed engineering study can be performed on the facility with Xcel paying up to 75% of the cost, up to \$25,000. Installations of qualifying energy improvements are covered by a Trillion BTU loan and an Xcel energy rebate. Applicant applies for financing directly to the St Paul Port Authority. The Port will notify the City of Minneapolis when a viable project is being considered in the City limits.

The Loan

The City of Minneapolis will participate in the Trillion BTU financing in an amount up to \$150,000 at a 4% interest rate for a term not to exceed the payback period of estimated energy savings. An application fee of 1% would be payable to the City of Minneapolis.

Eligible Applicants

- Applicant must be located in the City of Minneapolis.
- Applicant must agree to an energy audit.
- An applicant must have the ability to repay the loan and be an acceptable credit risk as determined by the lender.
- An applicant's property status must be as a conforming use or a legal non-conforming use under the City's Zoning Ordinance.

Eligible Improvements

Improvements would be determined eligible by the recommendation of an Xcel energy auditor or a detailed engineering study.

For more information

For more information and a loan application, please contact:

Pete Klein, Vice President of Finance (651) 204-6211

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