

BACKGROUND INFORMATION

PROGRAM SUMMARY

The Texas LoanSTAR (Saving Taxes and Resources) Program is implementing a pilot program for non-profit organizations established by the Act of May 24, 2011 (R.S., H.B. 2077 (to be codified at TEX. GOV'T CODE § 2305.0322)). This pilot program provides financing for energy-related cost-reduction retrofits for facilities owned and occupied by Community-Based and House of Worship non-profit organizations. Low interest rate loans are provided to assist those institutions in financing their energy-related cost-reduction efforts. The program's revolving loan mechanism allows Applicants to repay loans through the stream of energy cost savings realized from the projects.

Utility dollar savings are the number one criterion for determination if the measure can be considered an eligible Energy Cost Reduction Measure (ECRM). ECRMs are not limited to those activities that save units of energy. An ECRM could conceivably call for actions which save no energy or consume additional BTUs, but save utility budget dollars. Examples of such ECRMs include demand reduction, increased power factor, load shifting, switching utility rate structures, and thermal storage projects.

Before entering into a LoanSTAR loan agreement, Applicants are required to submit an Energy Efficiency Retrofit Plan (EERP) for all projects. The EERP must be completed by a Professional Engineer licensed in the State of Texas. The Engineer is selected by the Applicant.

When an Engineer analyzes a project, he/she will calculate savings in accordance with the LoanSTAR Technical Guidelines (http://www.seco.cpa.state.tx.us/lstar/lstar_guideline.php). Details of his/her analysis, project costs, and simple paybacks must be documented for each energy efficiency measures in the EERP. The project budget should include, at a minimum, the following Cost Categories: Labor, materials (including equipment), and overhead and profit. The report should contain sufficient documentation, including photos, that someone unfamiliar with the site will understand the baseline conditions, the activities that will take place at the site, and the post-construction savings for the project. There is not a prescribed format for EERPs.

Project designs must be reviewed and approved by SECO before construction can commence. The project will be monitored during the construction phase and at project completion by SECO.

Post-retrofit energy savings should be monitored by the Applicant to ensure that energy cost savings are being realized. The level of monitoring may range from utility bill analysis to individual system or whole building metering, depending on the size and types of retrofits installed.

LOAN BACKGROUND

If awarded under the terms of this Notice of Loan Fund Availability and Request for Applications (NOLFA/RFA), projects financed by LoanSTAR must have a composite simple payback of ten years or less. In addition, each ECRM and Utility Cost Reduction Measure (UCRM) must have a simple payback that does not exceed the estimated useful life (EUL) of the ECRM or UCRM.

APPLICATION REVIEW PROCESS

Eligible entities for this pilot program may apply for loan funds under the LoanSTAR Pilot Program revolving loan program, administered by the Texas Comptroller of Public Accounts (CPA), State Energy Conservation Office (SECO). Applicants must meet eligibility requirements.

As part of the application process, Applicants shall submit one of the following documents,

1. Energy Efficiency Retrofit Plan (EERP). The EERP must be completed by a Professional Engineer licensed in the State of Texas. EERPs must include a narrative of the ECRMs or UCRMs that will be completed to reduce utility (energy and water) costs. Project costs and simple paybacks must also be documented for each ECRM and UCRM, using the table format shown on part 4 of the application.
2. Preliminary Energy Assessment (PEA). The PEA must be completed by a Professional Engineer licensed in the State of Texas. PEAs must include ECRMs or UCRMs that will be completed to reduce utility (energy and water) costs. Project costs and simple paybacks must also be documented for each ECRM and UCRM in the PEA.
3. Project Assessment Commitment.

Prior to the Loan Application submittal, SECO will establish an Evaluation Committee for the full review and evaluation of eligible applications. The Evaluation Committee shall include employees of the Comptroller and may include other impartial individuals who are non-Comptroller employees.

A Loan Application, submitted through a NOLFA/RFA process, must be reviewed by the SECO legal counsel before a loan can be considered. SECO’s legal counsel checks the applications for eligibility, for compliance with the terms of this NOLFA/RFA, and for thoroughness. The applications that meet minimum qualifications and meet eligibility requirements are then distributed to the members of the Evaluation Committee for their independent review and evaluation.

The Evaluation Committee will review and individually score each written application. The Evaluation Committee has the option of selecting the top scoring applications and may, but are not required to, call the top scoring Applicants to come to SECO offices in Austin, Texas for an interview. If interviews are requested, the Evaluation Committee may ask each Applicant a series of questions to clarify responses in their application. The Evaluation Committee can, in its sole discretion, proceed directly to Applicant scoring and selection without the necessity of any oral interviews.

Successful Applicant(s) will be notified upon their selection.

If Applicant Submitted a Project Assessment Commitment or PEA

Those applicants will receive a Memorandum of Understanding (MOU) from SECO. The sole purpose of the MOU is to reserve LoanSTAR funds for the successful Applicant during the period the EERP is being prepared. This document should not be construed as a loan agreement and does not authorize the

If Applicant Submitted an EERP

The submitted EERP will be reviewed by the SECO technical staff or its contractor. The technical staff may request the Professional Engineer to provide additional information or calculations.

expenditure of funds for LoanSTAR projects. LoanSTAR project expenditures cannot be incurred before the effective date cited in a fully executed loan agreement unless those expenditures are approved in the LoanSTAR Technical Guidelines. Commitment of funding to applicants will take place upon execution of the MOU. Those applicants must then submit an EERP by the date identified in the MOU.

A Professional Engineer, licensed in the State of Texas, shall prepare the EERP. The EERP calculations shall follow the guidelines and formats provided in the Texas LoanSTAR Program Guidebook: Guidelines, Formats, Program Requirements and Documents. The Successful Applicant's CFO will also certify that three (3) original bound copies and one (1) electronic copy of the completed reports will be delivered to SECO for review within the required submittal date.

The submitted EERP will then be reviewed by the SECO technical staff or its contractor. The technical staff may request the Professional Engineer to provide additional information or calculations. If the report is not submitted within the Application time constraints, SECO may, in its sole discretion, choose to withdraw the loan offer.

SECO shall negotiate a Loan Agreement with the apparent Successful Applicants after the EERP has been reviewed and approved. The reports must be deemed to comply with LoanSTAR Technical Guideline calculation criterion prior to preparation of a Loan Agreement. The Loan Agreement is a document that authorizes the institution to proceed with the design of their projects and includes guaranteed funding for the ECRMs stated in the approved EERP. If a Loan Agreement cannot be successfully negotiated within a reasonable period of time, negotiations will be terminated, and negotiations with the next highest ranking Applicant may commence. The process may continue until one or more Loan Agreements are signed or the loan offer is withdrawn. SECO may at any time, upon failure of negotiations, choose to reissue or withdraw the loan offer rather than continue with negotiations. If SECO decides, in its sole discretion, to award more than one loan, SECO may proceed with negotiations in the above-described manner with more than one Applicant simultaneously.

APPLICANT PROCESS

After a Loan Agreement has been executed, the Applicant can begin the process of designing and implementing the projects identified in the report. A Design-Bid-Build and design-build process includes two milestones.

1. Selecting a design Engineer. The Engineer selected to design the projects can be the Engineer who prepared the Energy Assessment Report; however, the Applicant must follow competitive procedures, based upon qualifications, to select the Engineer.
2. Preparing the design documents. The Applicant must submit Design Development Reports and Detailed Design Reports (Volume I, Appendix L of the LoanSTAR Technical Guidelines) to SECO for technical review and approval. The SECO Technical Review will ensure that the design specifications match the projects identified in the report.
 - i. Detailed Design Review Report (100%) – This design review report will verify that the completed design conforms to the intent of the approved EERP. In addition, it will evaluate the proposed schedule and estimated project construction budget provided by the design engineer.

The Applicant agrees that bidding and construction activities will not begin until after Applicant received SECO approval that the submitted designs conform to LoanSTAR Technical Guidelines. Applicants agree to competitively select contractors or bidders as required by state law.

APPLICANT CONSTRUCTION REVIEW PROCESS

Applicant shall prepare and submit a Monthly Progress Report via the internet on or by the 10th day of each month. Reporting shall be in a format prescribed by SECO.

Applicant agrees to notify SECO when the project reaches 100% completion. SECO will then perform a construction monitoring visit to ensure the completed project complies with the LoanSTAR Technical Guidelines or SECO Performance Contracting Guidelines. After the construction monitoring visit, SECO will provide the Applicant with a copy of the Final Monitoring Report. This report will be similar to the On-Site Construction Monitoring Report. In addition, it will focus on compliance by the construction contractor with the “close-out” documentation requirements outlined in the bid documents. The report will verify that guarantees, warranties, releases, O&M manuals, training sessions required, etc. have been provided by the contractor.

Applicant shall then certify with a written letter that materials and equipment to be replaced have been properly disposed. These materials would include, but not be limited to, light bulbs, ballasts, switches, controls, HVAC equipment, refrigerants, pumps, fans, blowers, piping, valves, conduit, wiring, and boilers. Certification shall include proper disposal of hazardous materials. All waste disposals must be conducted in compliance with local, State of Texas, and federal rules and regulations.

Upon completion of the project and acceptance by SECO, the Applicant will submit a Final Completion Report to SECO (LoanSTAR Technical Guidelines) and a final voucher request.

APPLICANT LOAN REPAYMENT REVIEW PROCESS

After submittal of the Final Completion Report to SECO and the final voucher request, Applicant will request a Loan Repayment Schedule from SECO. SECO will then forward the Loan Repayment Schedule to the Applicant based on the incurred loan amount.

Loan repayments will begin within sixty days of project completion. Payments are due quarterly. The amount of annual loan repayment is based on the energy cost savings projected in the EAR, UAR or Commissioning Report. These projected savings are the basis for the loan. The dollar amount and the number of loan payments are established in the promissory note. The payments do not vary according to the actual energy savings. Payments established in the promissory note are due regardless of whether the Applicant has achieved that level of energy savings. The applicant payback term will be equal to the EAR, UAR, or Commissioning Report loan composite payback findings.

APPLICATION SUMMARY

Applications must be complete, be submitted under a signed transmittal letter, include an executive summary, a table of contents, describe the project and personnel qualifications relevant to the evaluation criteria, and must meet the following program requirements:

- The maximum loan amount shall not exceed \$25,000.
- The interest rate is set at 5.0%.
- The term of the loan is equal to the composite simple payback term for the energy efficiency measures, which must be 10 years or less. The individual ECRM/UCRM must demonstrate a simple payback of less than the ECRM's/UCRM's estimated useful life.
- Project expenses will be reimbursed on a "cost reimbursement" basis. No advance of funds is allowed.
- Borrower will be required to comply with federal Solid Waste Disposal Act, and, if applicable, National Environmental Policy Act, and National Historic Preservation Act. Applicants will ensure that the State Historical Preservation Office (SHPO) is consulted in any project award that may include a building or site of historical importance. In this regard, SHPO guidance will be solicited and followed to ensure that the historical significance of the building will be preserved. All requirements are set out in the sample contract.
- SECO will conduct periodic on-site monitoring visits on all building retrofit projects.
- All improvements financed through the LoanSTAR Revolving Loan Program shall meet minimum efficiency standards (as prescribed by applicable building energy codes).
Examples of projects that are acceptable may include:
 - Building and mechanical system commissioning and optimization
 - Energy management systems and equipment control automation
 - High efficiency heating, ventilation and air conditioning systems, boilers, heat pumps and other heating and air conditioning projects
 - High efficiency lighting fixtures and lamps

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- Building Shell Improvements (insulation, adding reflective window film, radiant barriers, and cool roof.)
- Load Management Projects
- Energy Recovery Systems
- Low flow plumbing fixtures, high efficiency pumps
- Systems commissioning
- Renewable energy efficiency projects are strongly encouraged wherever feasible, and may include installation of distributed technology such as rooftop solar water and space heating systems, geothermal heat pumps(only closed loop systems with no greater than 10 ton capacity), or electric generation with photovoltaic or small wind and solar-thermal systems. If there are closed-loop geothermal heat pumps greater than 10 ton capacity involved, then Applicants will be responsible for further National Environmental Policy Act (NEPA) review by DOE in the event of an award. If renewable generation greater than 20 KW is involved, Applicants will be responsible for further NEPA review by DOE.