

PROGRAM GUIDELINES

COMMERCIAL/INDUSTRIAL ENERGY CONSERVATION PROGRAM

I. PURPOSE

The purpose of the Commercial/Industrial Energy Conservation Program, established by the City of Duluth through its Public Works and Utility Department, is to assist its commercial and industrial customers to analyze their energy use and usage patterns, to identify potential improvements to their energy systems and other facilities which will reduce their demand for natural gas and other energy resources, especially their peak demand, by improving their natural gas consuming equipment and other improvements not related directly to natural gas consumption, such as insulation, energy-efficient windows and doors and other building improvements, and to encourage owners to make such improvements by reducing the costs thereof by making grants to partially defray the costs of purchasing and installing such improvements.

II. DEFINITIONS

The following words and phrases shall have the meanings hereinafter ascribed to them:

- A. Customer: shall mean a Commercial Customer, a Mixed Use Customer, a Non-profit Customer or an Industrial Customer as defined in these Guidelines.
- B. Commercial Customer: shall mean a customer or potential customer of the Utility, other than a Domestic Applicant, which is engaged in the business of buying, selling or exchanging of commodities for the purpose of profit.
- C. Dekatherm: shall mean 10 therms or one million [British thermal units](#) (Btu) or 1.055 GJ. The energy content of 1,000 [cubic feet](#) (28 [m³](#)) natural gas measured at [standard conditions](#) is approximately equal to one dekatherm.
- D. Director: shall mean the Director of the City's Public Works and Utilities Department or the person designated by him or her to perform various functions or grant various approvals under the Program.

- E. Energy Audit: shall mean a examination of a Potential Recipient's facilities and, if applicable, equipment to determine what if any energy losses or inefficiencies exist or are inefficiently being handled by such equipment, determine what corrective actions or equipment or both are needed to remedy such conditions, determine the cost of such remedial measures and analyze the relative benefits of various remedial measures in relation to the cost thereof.
- F. Industrial Customer: shall mean a customer or potential customer of the Utility, other than a Domestic Applicant, which is engaged in the business of creating or adding value to good or materials and of selling the resulting goods or materials for profit.
- G. Mixed Use Customer: shall mean a customer or potential customer of the Utility which owns and operates one or more buildings, each of which is occupied by both residential and commercial uses and where in excess of Fifty (50%) Percent of the total floor area of each building is occupied by one or more entities which would qualify as Commercial Customers if they were directly served by the Utility
- .H. Non-profit Customer: Shall mean a customer or potential customer of the Utility, not including a Multi-family Housing Customer, which is recognized as a non-profit corporation by the United States Internal Revenue Service.
- I. Potential Recipients: shall mean Customers who desire to apply for and receive grants under the terms of the Program and these Guidelines.
- J. Program: shall mean the City's Commercial/Industrial Energy Conservation Program.
- K. TRM: shall mean the most current version of the Minnesota Department of Commerce's Technical Reference Manual.
- L. Utility: shall mean the City's natural gas utility as part of its Public Works and Utility Department.

III. ELIGIBLE GRANT RECIPIENTS

Grants under the Program shall be available under the terms and conditions established pursuant to these Guidelines to existing Customers and to potential Customers who, by virtue of improvements made pursuant to the Program, become Customers of the Utility.

IV. PROGRAM COMPONENTS

The following shall be the activities that will be undertaken as part of the Program:

- A. Audits
Audits will be made of a Customer's energy-consuming equipment and of its building or buildings and facilities to determine energy consumption and identify and quantify potential improvements thereto which will result in reductions in energy consumption or peak energy demand or both.
- B. Cost/benefit Analysis
Potential energy-related improvements will be analyzed to determine the cost of acquisition and installation thereof and the estimated amount of energy-related cost savings which will result for each proposed improvement based on the TRM.
- C. Energy Audit: shall mean a examination of a Potential Recipient's facilities and, if applicable, equipment to determine what if any energy losses or inefficiencies exist or are inefficiently being handled by such equipment, determine what corrective actions or equipment or both are needed to remedy such conditions, determine the cost of such remedial measures and analyze the relative benefits of various remedial measures in relation to the cost thereof.
- D. Plans and Specifications
Plans and specification shall be prepared for the acquisition and installation of approved improvements, which plans and specifications shall be in a form appropriate to the nature of the improvements and appropriate for securing competitive bids or quotations.
- E. Acquisition and Installation
The Customer shall acquire and construct or install, as is appropriate, the approved improvements and shall pay the entire cost thereof.
- F. Reimbursement Grant
After completion of the acquisition and installation of the approved improvements as referenced above, the City will reimburse the customer therefore as provided for in Article V Section H. below.

V. GRANT PROCESS

The following process will be followed in the analyzing Customer needs and in awarding of grants to Customers:

- A. Audits
Energy audits of Customers who are potential grant recipients will be conducted in the following manners:
 - Upon request from Potential Recipients, the Director may direct that City staff or a City contract auditor perform an Energy Audit of the Potential Recipient's facilities and equipment.

Such City audits will be made available on the basis of the reasonable availability on a first come-first served basis.

B. Audit Review

Upon completion of an Energy Audit, the Potential Recipient may submit the Energy Audit to the Director along with an application to purchase and install various improvements to the Potential Recipient's facilities or equipment or both along with the estimated cost thereof. The director will consider each application for grant funding in order of its receipt by him or her.

C. Grant Eligible Improvements

The following energy improvements will be eligible for grant funding assistance under the terms and conditions set forth in these guidelines:

1. Insulation of exterior floors, exterior walls and roofs of structures used for commercial or industrial purposes.
2. Wall and structural modifications related to No. 1 above.
3. Weatherstripping.
4. Energy-efficient doors and storm windows.
5. Improvements to processing equipment which reduces energy consumption.
6. Temperature controls.
7. Energy management systems.
8. Boiler controls.
9. Boiler, furnace or cooling modifications or conversions involving consumption of natural gas.
10. Other energy-related improvements approved by the Director.

D. Preliminary Grant Approval

The Director may approve all of the elements of the improvements proposed in any application or any portion thereof, subject to the limitations of Section VI Paragraph B below. The Director will issue a letter to a Potential Recipient whose application is partially or totally approved granting preliminary approval thereof, setting forth the improvements which will be eligible for grant reimbursement and a date by which the improvements must be completed in order to be eligible for grant reimbursement.

E. Plans and Specifications

Upon receipt of the Director's letter of preliminary approval, the Potential Recipient shall immediately have complete plans and specifications appropriate to the nature of the proposed improvements prepared for the acquisition and installation of materials and equipment necessary to the improvements approved in the Director's

letter of preliminary approval. The preparation of said plans, specifications and estimates shall be at the sole cost of the Potential Recipient and shall not be deemed to be project costs eligible for partial reimbursement under the Program. F. Project Commencement & Completion

Upon completion of the plans described in Paragraph E. above and as soon thereafter as practical, the Potential Recipient shall commence implementation of the Project through the contracting for the acquisition of necessary materials and equipment and the contracting for its installation, all in conformity with the plans and specifications. Such work shall be completed on or before the date set forth therefore in said letter of commitment.

G. Post Installation Inspection

Upon completion of the installation of the approved improvements, the Auditing entity referenced in Paragraph A above shall conduct an inspection of the premises upon which the improvements were installed to determine that said improvements were actually installed, shall certify to the Director which approved improvements were actually installed and shall provide a calculation of energy savings resulting from such installation based on the TRM.

H. Reimbursement Grant

Upon completion of the project in conformance with the plans and specifications as described pursuant to Paragraph E above and proof that all laborers and materialmen providing labor and materials and equipment for said work have been fully paid and upon receipt of the certification referenced in Paragraph G. above from the Auditing entity, the Director shall reimburse the Potential Recipient an amount equal to Two Dollars (\$2.00) per Dekatherm of the calculated energy savings as certified in the above report or for Ten (10%) Percent of the costs approved pursuant to Paragraph E above not to exceed Twenty-five thousand Dollars (\$25,000), whichever is less. For the purposes of this paragraph, any entity determined by the Director to be substantially owned or controlled by the same person, persons or entity shall be deemed to be a single Customer.

VI. PROGRAM LIMITATIONS

In addition to those set forth above, the Program shall have the following limitations:

A. Eligible Costs Limitation

Costs eligible for reimbursement will include only capital costs of the improvements approved pursuant to Paragraph D of Article VI above. Specifically, no so-called soft costs or design costs will be eligible for any reimbursement.

B. TOTAL ANNUAL LIMITATION

The total of all grants in any year shall not exceed the amount provided for in the City budget for that year for the purpose of making such grants. When the total amount of grants offered pursuant to Paragraph D. of Article V above reaches an amount equal to the amount budgeted for, no further Program grants shall be made and any commitment made in violation of this Paragraph shall be void. Applications made in any year which are not funded by reason of this Paragraph may be considered for funding in the following year in the event that funds are budgeted therefore.

C. TEN YEAR PAYBACK

Projects where the cost of purchase of materials and equipment and the cost of installation exceeds the estimated amount of total savings to the Customer resulting from such purchase and installation in the first Ten (10) years of their being operational shall not be eligible for participation in the Program.