HOSPITAL ENERGY EFFICIENCY PROGRAM GUIDELINES FOR 2017-2018

Ministry of Health and Long-Term Care

Ontario

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Key Program Deadlines

ITEM	DEADLINE
A. Hospital Business Case(s) (LHIN endorsed)	September 20, 2017
B. Interim Report	January 15, 2018
C. All HEEP Projects need to be completed	March 31, 2018
D. Settlement Report	June 29, 2018
E. All completed HEEP projects are closed in Facility Condition Assessment Program (FCAP) database	June 29, 2018

1.1 Introduction

The Hospital Energy Efficiency Program (HEEP) Guidelines are intended to provide an overview of the program purpose and processes for the 2017-18 funding year. Hospitals that receive funding through HEEP must read and be familiar with the terms and conditions of the HEEP Agreements in their entirety in order to fully meet all program reporting and spending requirements.

While HEEP is similar to the ministry's Health Infrastructure Renewal Fund (HIRF), key program differences can be found in Appendix A.

1.2 HEEP Overview

In support of *Ontario's Five Year Climate Change Action Plan* (Action Plan), the ministry will be launching an evidence-based Hospital Energy Efficiency Program (HEEP) for 2017-18 to improve the energy efficiency of Ontario's public hospitals to reduce Greenhouse Gas (GHG) emissions and redirect energy-related cost savings back into direct patient care.

Pending confirmation of funds through the Cap and Trade program, hospitals will have the opportunity to apply for 2017-18 financial support through a dedicated grants-based fund to retrofit their facilities with energy efficient technologies including but not limited to improving or replacing building climate controls (boiler replacements, improvements to air handling units and cooling tower efficiency, and the installation of variable frequency drives on pumps, compressors, and motors); efficient lighting systems; and building envelope upgrades. While not eligible for funding through HEEP, hospitals should also consider building recommissioning activities as part of their energy management conservations plans.

HEEP will be fully aligned with the results of the ministry's Facility Condition Assessment Program (FCAP). Any requirement or collection of requirements that have energy savings potential as indicated in the FCAP database, and meet defined eligibility criteria, will be considered eligible for 2017-18 funding consideration through a Business Case application process outlined in the subsequent sections of these Guidelines**.**

While 2017-18 funding eligibility will be based solely on FCAP data, the ministry will be procuring the services of a third party vendor to support performance-based conservation data collection and analysis techniques (aka "energy benchmarking") in the hospital sector to supplement FCAP data in future fiscal years. Based on the ministry's review, funding will be allocated to projects that best meet the goals of the HEEP program by reducing GHG emissions and generating energy-related cost savings that can be re-invested back into direct patient care.

Hospitals are encouraged to consider the potential for large (non-FCAP) renewable energy projects (i.e., photovoltaic solar array and geothermal power systems, etc.) at their facilities for possible implementation in future fiscal years. While large (non-FCAP) renewable energy projects will not be formally evaluated for funding consideration in 2017-18, there is a section in the Business Case form for hospitals to indicate early interest to the ministry in

planning and implementing renewable energy projects in a later fiscal year. Any future funding through HEEP is dependent on the availability of Cap and Trade funds.

> Hospitals must use HEEP allocations provided in the 2017-18 funding year towards eligible HEEP projects and must expense the full grant on or before March 31, 2018. Hospitals are not permitted to carry unspent funds or deficits forward to subsequent funding years. Any unspent funding will be recovered at Project Settlement in accordance with the terms of the HEEP Agreement and not reallocated.

The minimum eligible project cost for HEEP funding consideration is $5K and there is no maximum. Hospitals may submit Business Cases to the ministry, each of which demonstrating maximum return on investment by way of:

i. Reducing GHG emissions through decreased energy usage;
ii. Generating energy-related cost savings;
iii. Maintaining the facility in a state of good repair, and
iv. Documenting a reasonable, verifiable payback period.

Hospitals should also indicate how their proposed facility energy retrofits align with their broader Master Plan and, if applicable, energy conservation management plans. Within the context of energy planning, applicants should indicate how their proposed project(s) fit within recommended approaches to staging retrofits. For more information on staging retrofits, please refer to section 4.2, pg. 50 of the US Department of Energy's Advanced Energy Retrofit Guide: Healthcare Facilities.

1.3 How HEEP Works

1.3.A. Requirement List Created

1. The ministry's third party vendor conducts a condition assessment of all eligible hospital Assets through the FCAP (See Appendix "B": "Facility Condition Assessment Program (FCAP)").

2. Based on the FCAP assessment, the vendor inputs all of the capital renewal requirements that are needed for each eligible asset into an online database accessible to both the hospital and the ministry.

3. The ministry runs a Requirement Report from the FCAP database to capture all Requirements in the FCAP database at the time of report that:

   (a) are in an Asset that is FCAP eligible;
   (b) have a project status of open, in plan, or in project;
   (c) cost at least $5,000; and,

(d) have been identified as having energy savings potential.

4. All Requirements in the FCAP database that meet the above criteria for each hospital are added to the list of potential projects released to hospitals through the LHINs.

1.3.B. Funding Application (the Business Case)

5. Hospitals will have the opportunity to complete and submit Business Cases for one-time funding to undertake specific projects that appear on their list of potential projects.

- Hospitals must apply for specific projects and provide all information requested in the Business Case.
- Hospitals must submit completed Business Cases to the LHINs for endorsement in principle. The LHINs will send endorsed Business Cases to the ministry for review by the noted deadline.
    i. Business Cases submitted after the deadline will not be considered by the ministry for funding.
- **All approved HEEP funding must be fully utilized by March 31st of the funding year**. The ministry will recover any unspent funds and no consideration will be given for providing the funds in a future year.
- Should a project be partially implemented by March 31st of the funding year, the hospital will be responsible for completion using their own funds.

1.3.C. Funding Allocation

6. The ministry will review all LHIN-endorsed Business Cases submitted prior to the deadline. Based on the ministry's review, funding will be allocated to projects that best meet the goals of the HEEP program by reducing GHG emissions and generating energy-related cost savings that can be re-invested back into direct patient care.

1.3.D. Funding Letters and Agreements Provided

7. The ministry will advise hospitals of approved HEEP grants and Projects through the release of funding letters. The grant amount will also be reflected in the corresponding HEEP Agreement.

8. Before providing any HEEP allocations, the ministry will require hospitals to sign an Agreement with the ministry containing the terms and conditions governing the use of HEEP Funds (the "HEEP Agreement").

9. Attached to the HEEP Agreement is a Schedule (Schedule "1") that will list the project(s) for which the hospital received a HEEP grant for the funding year.

10. The HEEP Agreement requires hospitals use their HEEP funds only for the projects listed in Schedule "1" for the same funding year. Hospitals may not carry unspent funds or deficits from one funding year to another. Failure to comply with the terms and conditions of the HEEP Agreement will constitute an Event of Default and the ministry may determine a remedial course of action.

1.3.E. HEEP Agreement Signing Process

11. Hospitals receiving a HEEP agreement will send their signed HEEP Agreements to: *HealthCapitalInvestmentBranch@Ontario.ca* with the subject line "[Hospital Name] [Funding Year] HEEP Agreement".

12. Upon receiving the signed HEEP Agreement from the Hospital, the ministry will sign the HEEP Agreement and provide a fully executed copy to the hospital. Subsequently, the ministry will provide funding to the Hospital.

1.3.E. Hospital Reporting Obligations

13. Hospitals have various reporting responsibilities throughout the year and must ensure they review their HEEP Agreement appropriately to ensure they fully understand their reporting obligations. Failure to provide reports properly and on time will be an Event of Default under the HEEP Agreement.

14. For each funding year, hospitals receiving HEEP funds must:

    (a) begin the HEEP project, once the ministry advises the hospital of the amount of their HEEP allocation;

    (b) submit to the ministry an Interim Report by January 15th;

    (c) submit to the ministry a Settlement Report by June 30th; and,

    (d) close Requirements pertaining to completed HEEP projects in the FCAP database by June 30th.

        a. If the project is not complete, the requirement does not need to be closed in the FCAP database.

1.4 Eligible Projects for the HEEP Business Case Submission

A project is eligible if the project:

1. Is a Requirement in the FCAP database and appears on the list of potential projects in that it:

    - is in an Asset that is FCAP eligible;
    - has a project status of open, in plan, or in project;
    - costs at least $5,000; and,
    - has been identified as having energy savings potential.

2. Is a minor infrastructure renewal project[1];

3. Can be completed by March 31st of the funding year;

4. Is not part of an existing approved small or major health capital project funded by the ministry, or has already been tendered and/or expensed through the HIRF program.

5. Is a tangible asset that will have a useful life extending beyond one year and is intended to be used on a continual basis;

6. Improves the hospital facility's quality, performance/functionality, useful life and can deliver maximum return on investment by way of:

    i. Reducing GHG emissions through decreased energy usage;
    ii. Generating energy-related cost savings;
    iii. Maintaining the facility in a state of good repair, and
    iv. Documenting a reasonable, verifiable payback period.

7. Is "capitalizable";

8. Will result in the closure of a Requirement in the FCAP database;

9. Addresses an infrastructure need only and not programs and services;

10. Does not require an increase to a hospital's operating budget; and

11. Does not require preparation of a functional program.

1.5 Ineligible Projects for the HEEP Business Case Submission

A project will be ineligible for Business Case submission if does not appear on the list of potential projects created by the ministry and/or relates to:

1. Infrastructure to accommodate additional beds or new/expanded programs or services;
2. Infrastructure projects for non-hospital purposes;
3. Infrastructure projects in assets not owned by the hospital; and
4. Infrastructure projects that save operating costs solely for revenue generating areas (e.g., parking lots/garages, gift shops, etc.).

[1] Large renewable energy projects may be eligible in a later fiscal year and will be dependent on the availability of funds through Cap and Trade. Hospitals are encouraged to indicate early interest to the ministry in planning and implementing one or more renewable energy projects in the HEEP Business Case Form.

1.6 In-Year Processes

1.6.A. Interim Report

In accordance with the HEEP Agreement, the hospital is required to submit an Interim Report to the ministry by January 15, 2018. In the Interim Report, the hospital will identify the project(s) undertaken from Schedule "1", the costs incurred to date and estimated spending by the end of the fiscal year.

Based on the Interim Reports submitted by the hospitals, and upon confirmation, the ministry may adjust payments to the hospitals as required. Any unexpended funds at project Settlement will be recovered in accordance with the terms of the HEEP Agreement.

The Interim Report for HEEP is due to the ministry as set out in Schedule "4" of the HEEP Agreement.

1.6.B. Settlement

In accordance with the HEEP Agreement, the hospital is required to submit a third party audited Settlement Report to the ministry by June 30th of each subsequent funding year. The ministry will use the Settlement Report to reconcile the funding. The ministry will refer to the Schedule "1" list of eligible projects to determine eligible expenses.

If a hospital is not able to spend the HEEP allocation by March 31st, of each funding year, or uses the HEEP allocation towards ineligible projects not outlined on Schedule "1", the balance will be recovered by the ministry as part of the settlement process.

As per the terms of the HEEP Agreement, hospitals must close all completed HEEP project-specific Requirements in the FCAP database by June 30th of each subsequent funding year along with the settlement documentation. The ministry will not complete the settlement process for a hospital unless the completed requirements have been closed in the FCAP database.

Please note, failure to meet the terms and conditions of the HEEP Agreement will constitute an Event of Default and the ministry may determine a remedial course of action, including recovery of ministry funds.

1.6.C. Contact Information

To ask program-related questions, hospitals should contact their LHIN HEEP contact, identified in Appendix "C".

1.7 Roles and Responsibilities for HEEP Processes

In each fiscal year, hospitals may receive HEEP Grants for projects approved by the ministry. In order to support program success, stakeholders will be required to undertake the following:

1. The LHINs will:

(a) Share the hospital-specific lists of potential projects with their respective hospitals and direct the Chief Executive Officer or Chief Financial Officer of hospitals in their service areas to:

(i) identify and complete a Business Case for any projects that appear on the hospital's list of potential projects. If submitting multiple Business Cases, hospitals should prioritize each business case in order of importance;

(ii) submit Business Case(s) in both Microsoft Excel© **and** signed in PDF© format by email to the LHIN contact (see Appendix "C");

(iii) complete and submit the Interim Report to the ministry by January 15th;

(b) review the hospital's completed Business Case to ensure that the project meets the eligibility criteria and recommend the funding necessary to complete the project.

(c) direct hospitals to the LHIN website (http://www.lhins.on.ca) to find: HEEP Guidelines, Interim Report, Settlement Report and Business Case.

Based on the LHIN's review of the Business Cases in their service area, the LHIN will:

(a) submit to the ministry all endorsed Business Cases in both Microsoft Excel© **and** signed PDF© format and its statements demonstrating why the projects are a priority for the LHIN at this time; and,

(b) provide all documents by the deadline to the ministry via email to *HealthCapitalInvestmentBranch@ontario.ca* with the subject line "[Hospital Name] HEEP Business Case".

3. The ministry will:

(a) Run a Requirement Report and prepare hospital-specific lists of potential projects for dissemination to the LHINs;

(b) will review all Business Cases and the LHIN's statement demonstrating why they are a priority for the LHIN at this time; and,

(c) allocate funding based upon its assessment of submitted, LHIN-endorsed Business Cases.

4. The Hospital will:

(a) Review list of potential projects, complete and submit Business Cases to the LHIN prior to the deadline;

(b) Spend all HEEP funding on approved projects by March 31st of the same funding year;

(c) Submit Interim report to the Ministry by January 15th of the same funding year;

(d) Submit Settlement Report to the Ministry by June 30th of the following funding year; and,

(e) Close any completed requirements in the FCAP database by the settlement report deadline of June 30th.

Appendix A: Program Comparison of HIRF vs. HEEP

Health Infrastructure Renewal Fund Program	Hospital Energy Efficiency Program
• Hospitals submit ECP business case(s) formally endorsed by the LHIN	• Hospitals submit business case(s) endorsed in-principle by the LHIN
• HIRF funding eligibility tied to FCI score	• HEEP funding eligibility tied to GHG reductions through improved energy efficiency, not FCI score
• Minimum funding threshold of $5K • Maximum funding threshold of $10M	• Minimum funding threshold of $5K • No maximum funding threshold
• HIRF Agreement contains Schedule A: list of Eligible projects by FCI and FCAP priority	• HEEP Agreement contains Schedule 1: list of projects with energy savings potential, approved by the ministry based on submitted business cases
• ECP Grant approvals not tied to specific projects	• Funding tied to projects with energy savings potential as indicated in the FCAP database
• Hospital-owned assets, including Fund Type 2 programs eligible	• Same as HIRF
• Interim reporting in November	• Interim reporting in January
• In-year reallocations - yes	• In-year reallocations - no
• Pre-commit 50% of next year's allocation	• No pre-commitment as HEEP is a grants-based program and all funds must be spent by the end of the fiscal year
• Infrastructure projects related to revenue generating areas fully excluded from funding consideration	• Infrastructure projects related to revenue generating areas may be eligible if there is a broad benefit to the facility in terms of improving energy efficiency and/or producing renewable energy
• DBFM facilities not currently captured in FCAP and only eligible for ECP grant funding	• DBFM facilities not captured in FCAP and not currently eligible for retrofit funding. • DBFM hospitals are encouraged to indicate interest in renewable energy project(s) through the HEEP Business Case Form for funding consideration in a later year.
• HIRF-funded FCAP requirements to be closed within three years	• HEEP-funded FCAP requirements to be closed once project has been completed
• External audit confirmation for Settlement Report	• Same as HIRF

Appendix B: Facility Condition Assessment Program (FCAP)

In 2007-08 the ministry began implementing the FCAP to obtain detailed and consistent information in order to:

- inform the ministry and government about the stock and condition of the infrastructure of publicly-funded hospitals;
- develop long-term projections of capital investment requirements; and
- assist with the evaluation of capital funding requests.

The following services are provided through a third party vendor:

- condition assessments of hospital facilities by qualified engineers and architects;
- building inventory data about each hospital;
- software that houses this information; and
- tools for reporting, analytical work and planning.

The FCAP assessment schedule is 4 years in duration with 25% of all eligible hospitals being assessed annually.

The main elements of FCAP include a physical assessment of hospital facilities and sites, and Asset Management Software that stores and reports on the information derived from assessments. The program measures and records the conditions of hospitals' physical Assets. This data is available to the hospitals, LHINs and the ministry.

Hospitals are required to update their data in the FCAP database to ensure accurate information is available to identify funding needs and inform decisions. All public hospitals in the province are required to fully participate in the FCAP.

Hospital's participation in the FCAP includes (but is not limited to):

- allowing the vendor to complete a condition assessment during the FCAP assessment cycle (each hospital to work with the third party vendor to schedule the hospital's assessment;
- participating in the software training;
- reviewing and confirming the condition assessment draft report within 25 business days of receipt; and
- maintaining the hospital's data for the FCAP in the FCAP database (i.e. adding Requirements, closing Requirements, etc.)

FCAP provides hospitals with Asset information that includes a Facility Condition Index (FCI) score, which measures the condition as a ratio of the sum of the near term needs for an Asset divided by its replacement value.

It is increasingly important to the HEEP program, and to provincial infrastructure planning, that hospitals maintain the data being collected in the FCAP database. Through participation in training sessions, hospitals should become familiar with managing their FCAP data to ensure infrastructure information is current. Failure to update and maintain the FCAP data may result in hospitals being deemed ineligible for HEEP. The FCAP will also be used to support recommendations on health capital investment policies. Accurate information obtained through the FCAP will assist hospitals, LHINs and the ministry in setting capital renewal priorities.

Appendix C: LHIN Contact Information

LHIN	Main Contact Name	Email	Phone	Title
Central	Lynn Singh Carl Bonura	Lynn.Singh@lhins.on.ca Carl.Bonura@lhins.on.ca	905- 948-1872 Extension: 213	Director, Strategic Initiatives Senior Planner
Central East (CE)	Rivita Gallant Tapas Kar Sue Wojdylo	Ritva Gallant@lhins.on.ca Tapas.Kar@lhins.on.ca Sue.Wojdylo@lhins.on,ca	905- 427-5497 Extension: 224 Extension: 228 Extension: 232	Director of Finance & Risk Consultant, Finance & Risk Senior Consultant, Performance and Accountability
Central West (CW)	Michael Buchert	Michael.Buchert@lhins.on.ca	905-452-6994	Director, Funding and Allocation
Champlain	Chahinez Bendou	Chahinez.Bendou@lhins.on.ca	613-747-3237	Senior Accountability Specialist
Erie St. Clair (ESC)	Anthony Sirizzotti	Anthony.Sirizzotti@lhins.on.ca	519-351-5677 Extension: 3218	Manager, Funding and Allocation
Hamilton Niagara Haldimand Brant (HNHB)	Derek Bodden	Derek.Bodden@lhins.on.ca	905-945-4930 Extension: 4228	Director, Finance
Mississauga Halton (MH)	Dale McGregor	Dale.McGregor@lhins.on.ca	905-337-7191 Extension: 216	Senior Director, Finance & CFO
North Simcoe Muskoka (NSM)	Diane Hodgins	diane.hodgins@lhins.on.ca	705-326-7750 Extension: 3223	Director, System Accountability
North East (NE)	Marc Demers	Marc.Demers@lhins.on.ca	705-840-2414	Controller / Corporate Services Manager
North West (NW)	Kevin Holder	Kevin.Holder@lhins.on.ca	807- 548-5590	Senior Consultant, Funding, Performance & Contract Management
South East (SE)	Joe Sherman	Joe.Sherman@lhins.on.ca	613- 967-0196 Extension: 2218	Senior Financial Analyst
South West (SW)	Scott Chambers	Scott.Chambers@lhins.on.ca	519-640-2578	Team Lead, Finance
Toronto Central (TC)	Chris Sulway	Chris.Sulway@lhins.on.ca	416-969-3230	Senior Consultant, Performance Management
Waterloo Wellington (WW)	Mladen Samac	Mladen.Samac@lhins.on.ca	519-650-4472 Extension: 218	Senior Planner, Health System Integration

Appendix D: Glossary

Asset
An Asset is a free-standing structure, a portion of a structure, or any part of facility infrastructure that is distinguishable from its surroundings by date of construction, construction type, and/or the Systems that comprise it. Assets are identified in the FCAP database.

Business Case
A Business Case must be prepared in accordance with the application that will be provided by the ministry via the LHINs.

Capital Assets
Capital Assets are non-financial Assets that have physical substance that are purchased, constructed, developed or otherwise acquired. Capital Assets have useful lives extending beyond one year.

Category
A Category is the type of issue assigned to each Requirement so that the issue affecting a facility can be catalogued. The category may affect how a Requirement's cost is measured. Examples of categories in FCAP include: accessibility, building code, life safety and operations.

Eligible Projects
Projects that meet the eligibility criteria as set out in Section 1.4. of these Guidelines.

FCAP
Facility Condition Assessment Program.

Funding Year
The period commencing on April 1 following the end of the previous Funding Year and ending on the following March 31. This is the timeframe within which hospitals must expense the HEEP allocation.

HEEP
Hospital Energy Efficiency Program.

HEEP Allocation
A HEEP allocation is a hospital's share of appropriated funds by the government. The Ministry of Health and Long-Term Care approves HEEP Allocation for use by public hospitals, in accordance with the HEEP Guidelines and Agreement. Hospitals may only use the HEEP allocation towards eligible projects outlined on Schedule "1".

Interim Report
An Interim Report is submitted by the hospital to the ministry to identify HEEP projects and progress for a HEEP allocation. Hospitals are required under the HEEP agreement to submit a report in January in order for the ministry to assess spending progress.

Maintenance
Maintenance is work that results in the retention of the pre-determined service potential of a capital Asset for a given useful life. Costs incurred that do not prolong an Asset's economic life nor improve its efficiency are not considered capital expenditures. Maintenance expenditures are operating expenditures and should not be included as part of capital expenditures.

Projects
"Projects" for the purpose of this document refers to the projects the ministry approves for the Funding Year based on LHIN endorsed Business Cases. These appear on Schedule "1" of the HEEP Agreement.

Schedule "1"
Schedule "1" is the list of eligible projects set out for each Funding Year on which a hospital may spend its HEEP funding.

Schedule "2"
Schedule "2" is the schedule of the HEEP agreement that outlines the HEEP funds allocated to the Hospital during the period of the Agreement.

Schedule "3"
Schedule "3" details the time frames noted in Schedule "2".

Schedule "4"
Schedule "4" outlines the reporting periods and due dates for interim reporting and annual settlement.

Renewal
Renewal refers to work done to extend an Asset's useful life or improve its performance or functionality. Renewal of an Asset can appreciably prolong its period of usefulness or enhance its service potential. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity such that associated operating costs are lowered, the useful life of the Asset is extended, and the quality of the output is improved. It includes upgrades that increase the service potential of an Asset (and may or may not increase the remaining useful life of the Asset). This type of expenditure should be reported as a capital expenditure.

Requirement
A Requirement is a facility need or a deficient condition that should be addressed, including deferred maintenance, code issues, functional Requirements, and capital improvements. A Requirement can affect an assembly, piece of equipment, or any other System. It is assigned a Category, Priority, and System in order for its costs and time frame for action to be catalogued appropriately.

System
A System is an assembly, finish, fixture, piece of equipment, or other component that makes up an Asset.

Useful life

Useful life is defined as the estimated finite period over which a capital Asset is expected to be used. The actual life of a capital Asset may extend beyond its useful life due to good maintenance or under-utilization.