§ 436.13 Presuming cost-effectiveness results.

(a) If the investment and other costs for an energy or water conservation measure considered for retrofit to an existing Federal building or a building energy system or building water system considered for incorporation into a new building design are insignificant, a Federal agency may presume that such a system is life cycle cost-effective without further analysis.

(b) A Federal agency may presume that an investment in an energy or water conservation measure retrofit to an existing Federal building is not life cycle cost-effective for Federal investment if the Federal building is—

(1) Occupied under a short-term lease with a remaining term of one year or less, and without a renewal option or with a renewal option which is not likely to be exercised;

(2) Occupied under a lease which includes the cost of utilities in the rent and does not provide a pass-through of energy or water savings to the government; or

(3) Scheduled to be demolished or retired from service within one year or less.


§ 436.14 Methodological assumptions.

(a) Each Federal Agency shall discount to present values the future cash flows established in either current or constant dollars consistent with the nominal or real discount rate, and related tables, published in the annual supplement to the Life Cycle Costing Manual for the Federal Energy Management Program (NIST 85-3273) and determined annually by DOE as follows—

(1) The nominal discount rate shall be a 12 month average of the composite yields of all outstanding U.S. Treasury bonds neither due nor callable in less than ten years, as most recently reported by the Federal Reserve Board, adjusted to exclude estimated increases in the general level of prices consistent with projections of inflation in the most recent Economic Report of the President’s Council of Economic Advisors.

(b) Each Federal agency shall assume that energy prices will change at rates projected by DOE’s Energy Information Administration and published by NIST annually no later than the beginning of the fiscal year in the Annual Supplement to the Life Cycle Costing Manual for the Federal Energy Management Program, in tables consistent with the discount rate determined by DOE under paragraph (a) of this section, except that—

(1) If the Federal agency is using component prices under §436.14(c), that agency may use corresponding component escalation rates provided by the energy or water supplier.

(2) For Federal buildings in foreign countries, the Federal agency may use a “reasonable” escalation rate.

(c) Each Federal agency shall assume that the price of energy or water in the base year is the actual price charged for energy or water delivered to the Federal building and may use actual component prices as provided by the energy or water supplier.

(d) Each Federal agency shall assume that the appropriate study period is as follows:

(1) For evaluating and ranking alternative retrofits for an existing Federal building, the study period is the expected life of the retrofit, or 25 years from the beginning of beneficial use, whichever is shorter.

(2) For determining the life cycle costs or net savings of mutually exclusive alternatives for a given building energy system or building water system (e.g., alternative designs for a particular system or size of a new or retrofit building energy system or building water system), a uniform study period for all alternatives shall be assumed which is equal to—

(i) The estimated life of the mutually exclusive alternative having the longest life, not to exceed 25 years from the
§ 436.15 Formatting cost data.

In establishing cost data under §§ 436.16 and 436.17 and measuring cost effectiveness by the modes of analysis described by § 436.19 through § 436.22, a format for accomplishing the analysis which includes all required input data and assumptions shall be used. Subject to § 436.18(b), Federal agencies are encouraged to use worksheets or computer software referenced in the Life Cycle Cost Manual for the Federal Energy Management Program.

§ 436.16 Establishing non-fuel and non-water cost categories.

(a) The relevant non-fuel cost categories are—
(1) Investment costs;
(2) Non-fuel operation and maintenance cost;
(3) Replacement cost; and
(4) Salvage value.

(b) The relevant non-water cost categories are—
(1) Investment costs;
(2) Non-water operation and maintenance cost;
(3) Replacement cost; and
(4) Salvage value.

(c) The present value of recurring costs is the product of the base year value of recurring costs as multiplied by the appropriate uniform present worth factor under § 436.14, or as calculated by computer software indicated in § 436.18(b) and used with the official discount rate and escalation rate assumptions under § 436.14. When recurring costs begin to accrue at a later time, subtract the present value of recurring costs over the delay, calculated using the appropriate uniform present worth factor for the period of the delay, from the present value of recurring costs over the study period or, if using computer software, indicate a delayed beneficial occupancy date.

(d) The present value of non-recurring cost under § 436.16(a) is the product of the non-recurring costs as multiplied by appropriate single present worth factors under § 436.14 for the respective years in which the costs are expected to be incurred, or as calculated by computer software provided or approved by DOE and used with the official discount rate and escalation rate assumptions under § 436.14.

§ 436.17 Establishing energy or water cost data.

(a) Each Federal agency shall establish energy costs in the base year by