



CTED

| Community, Trade and
Economic Development

Washington's Application to the United States Department of Energy

State Energy Program

American Recovery and Reinvestment Act 2009

May 2009

Washington State – State Energy Program

Washington State's State Energy Program (SEP) is designed so that implementation of the program maximizes energy efficiency and clean energy production while retaining and creating jobs for our citizens. We believe that the multipart design will place Washington in the forefront of the new clean energy economy.

Our application contains four major program elements plus a significant planning and advisory role for the state's clean energy industry. These major elements have the support not only of the Governor but also have been supported by several bills that recently passed the Washington State legislature.

The elements are

1. **The Community-Wide Urban Residential and Commercial Energy Efficiency Program** – \$14.5 million will be used for the development and deployment of at least three large neighborhood based building energy efficiency projects.
2. **The Farm Energy Assessments Program** - \$500,000 will be directed toward developing energy tools and training assistance to increase energy efficiency in the state's large agricultural sector
3. **The Energy Efficiency and Renewable Energy Loans and Grants Program** \$38.5 million will be dedicated to a loan and grant fund to provide interim financing to renewable energy projects, to assist innovative companies that have commercial or near commercial energy technologies, and to support cost-effective energy efficiency projects.
4. **The Energy Efficiency Credit Enhancement Program** - \$5 million will be directed toward credit enhancement mechanisms such as loan loss reserves and loan guarantees by financial institutions. This approach is intended to generate high levels of leverage for energy efficiency projects that go beyond direct loans

The Clean Energy Leadership Initiative – Washington's Governor signed legislation on May 4 that creates an industry-based advisory committee to assist with development of a statewide energy strategy and to advise the state on development and implementation of ARRA energy-related programs. This demonstrates that Washington is committed to leading the nation in using ARRA funds as a strategic tool to advance a clean energy economy. We are strengthening important partnerships between the private, nonprofit, academic, and government sectors that are needed to be effective in this long-term endeavor.

particular the low income weatherization programs administered by the department, on the design, administration, and implementation elements of the projects.

Goals and Objectives:

- Provide public education, marketing, and outreach to convey the benefits and value of energy efficiency.
- Create a sustainable residential and non-residential energy retrofit industry and workforce.
- Expand program service delivery to homeowners with incomes too high to qualify for low income programs but too low to make major energy efficiency home improvements without assistance.
- Implement a whole neighborhood approach that uses demographic and utility data and information to target and aggressively market the program to all of the eligible units on a neighborhood by neighborhood basis.

Program Features

There will be at least three grants for projects, awarded on a competitive basis, to local community sponsors for conducting direct outreach and delivering of energy efficiency services that, balance participation in the following ways:

- Throughout the state;
- Across heating fuels;
- Among owner-occupied and rental residences;
- For small commercial buildings; and
- For single-family and multi-family dwellings.

The projects will:

- Provide assistance for energy audits and energy efficiency-related improvements to structures owned by –or used for – residential, commercial, or nonprofit purposes in specified urban neighborhoods where the objective is to achieve a high rate of participation among building owners within the project area;
- Use volunteer support to reach out to potential customers through the use of community-based institutions;
- Employ qualified energy auditors and energy efficiency service providers to perform the energy audits using recognized energy efficiency and weatherization services that are cost-effective;
- Select and provide oversight of contractors to perform energy efficiency services. Sponsors shall require contractors to participate in quality control and efficiency training, use workers trained from workforce training and apprentice programs established under separate legislation, pay prevailing wages, hire from the community in which the program is located, and create employment opportunities for veterans, members of the national guard, and low-income and disadvantaged populations; and

- Work with customers to secure financing for their portion of the project and apply for and administer utility, public, and charitable funding provided for energy audits and retrofits.

In addition, the WSU Extension Energy Program must give priority to sponsors that can secure a sponsor match of at least one dollar for each dollar awarded. A sponsor may use its own monies, including corporate or ratepayer monies, or monies provided by landlords, charitable groups, government programs, the Bonneville Power Administration, or other sources to pay the sponsor match. The match helps demonstrate broader local support, a greater likelihood that the effort will be sustainable beyond the life of the SEP ARRA funds, and ultimately will result in more energy efficient homes and businesses than would be achieved with ARRA funds alone.

Reporting

The State Legislature specified reporting requirements that will support both their ongoing interest in the success of the effort and the SEP reporting requirements. Projects receiving funding must report compliance with performance metrics for each sponsor receiving a grant award. The performance metrics include:

- Monetary and energy savings achieved;
- Savings-to-investment ratio achieved for customers;
- Type, number, and wage levels of jobs created;
- Utilization of pre-apprentice and apprenticeship programs; and
- Efficiency and speed of delivery of services.

The WSU Extension Energy Program will provide a progress report on all grant projects to the appropriate committees of the Legislature and the Governor's Office by December 1st of each year, addressing at least the following:

- Number of grants awarded;
- Number of jobs created or maintained;
- Number and type of individuals trained through workforce training and apprentice programs;
- Number of veterans, members of the national guard, and individuals of low-income and disadvantaged populations employed by the projects; and
- Amount of funding provided through the grants.

7. Milestones

Planned Number

Design the Program	1
Develop and Issue Request for Proposals	1
Review Proposals	10
Develop and Execute Contracts	3
Administer Program (ongoing)	1
Receive and Submit Quarterly Reports	12

8. Standard Metrics (required):

Jobs Created: 200 to 300

Jobs Retained: 0

9. Specific Metric Activity (required):

Number of Dwellings Retrofitted – Residential: 3,000

Square Footage of Buildings Retrofitted – Residential: 3.9 million square feet

Number of Dwellings Retrofitted – Small Commercial: 500

Square Footage of Buildings Retrofitted – Small Commercial: 2.5 million square feet

10. Program Year Funds by Source

DOE ARRA Funds	\$14,500,000
State Funds	\$0
Other Matching Funds	\$14,500,000
Leveraged Funds Anticipated	\$0

- Measurement systems for cost savings, energy savings, and carbon emission reduction benefits resulting from efficiency improvements identified by the interdisciplinary team.

Primary funding for the effort will be provided through SEP ARRA funds, however the state legislature also directed the WSU Extension Energy Program to seek additional resources for this effort from federal and state agricultural assistance programs and other sources.

Goals and Objectives:

- Develop a broadly inclusive software tool for farm energy analysis including carbon offset/reduction potentials, nutrient recovery or reduction (nitrogen and phosphorous), energy saving and production potentials, job creation, and water efficiencies for various agricultural sectors (dairy, dryland farming etc). The tool will focus on the preparation analysis for project proposals from other fund sources such as USDA Rural Development, BPA, and NRCS.
- Train Conservation District and Extension staff in tool use and proposal development for projects.
- Provide farmers with a tool to analyze current farm practices and proposed changes.

7. Milestones

Planned Number

Design the Program	1
Establish Interdisciplinary Team and Stakeholder Group	1
Develop and Execute Contracts per Terms of Proposal	2
Develop Farm Sector Modules (dairy and dryland)	2
Seek Additional Funding from Other Sources	2
Training Sessions	3
Administer Program (ongoing)	1
Receive and Submit Quarterly Reports	12

8. Standard Metrics (required):

Jobs Created: 8
Jobs Retained: 10

9. Specific Metric Activity (required):

Dairy Power Production	10 MWa
Acreage shifted to no-till/low-till – Diesel reduction	120,000 gallons
Natural gas based nitrogen fertilizer offsets	to be estimated

10. Program Year Funds by Source

DOE ARRA Funds	\$500,000
State Funds	\$0

Other Matching Funds	\$0
Leveraged Funds Anticipated	\$100,000

**U. S. Department of Energy
State Energy Program (SEP) Narrative Information Worksheet**

Grant Number EE00139

State Title: Energy Efficiency and Renewable Energy Loans and Grants Program Fund

- 1. Market:** Energy Efficiency and Renewable Energy
- 2. State:** WA
- 3. Program Year:** 2009 Term: 4/1/2009 – 3/12/2012
- 4. Topics Involved in the Overall Program Market:** Residential Buildings, Commercial Buildings, State and Local Government Facilities, Electric Power and Renewable Energy, Alternative Fuels, Bioenergy and Bio-based products, Financing Energy Programs
- 5. Estimated Annual Energy Savings:** to be determined based on projects chosen

6. Description:

This fund can be used for a broad range of energy efficiency and renewable energy loans and grants. The Washington Department of Community, Trade and Economic Development (CTED) will directly administer the program. The loans, loan guarantees, and grants from this fund will encourage the establishment of innovative and sustainable industries for renewable energy and energy efficient technology.

CTED will solicit project proposals through at least two separate requests for proposals (RFP) rounds. The need to move rapidly on distributing these funds has put us on a fast track to issue our first request for proposals (RFP) and we will be prepared to issue an RFP in June 2009 **subject to DOE approval of this proposal**. This RFP will be for a first round of loans and grants. Applications will be reviewed and contract negotiations started within 30 days of receipt of proposals. CTED plans to issue a second RFP based on the information gained regarding the levels of success of different projects or programs from the first round in January 2010. This round of applications will also be reviewed and contract negotiations begun within 30 days of receipt. All initial funds will be obligated by September 2010 and disbursed by March 31, 2012. The State Legislature has established an account that can be used as a revolving loan fund to leverage these monies for long-term uses. Because some of the monies will be awarded as loans, the loan repayments and interest will continue to sustain the account. CTED's director will establish policies and procedures for processing, reviewing, and approving applications

for funding and enter into agreements with approved applicants to fix the term and rates of funding.

Offering both loans and grants to high quality projects will allow us to achieve the energy and jobs goals of the ARRA while also providing funds to more innovative, higher risk projects such as the development of near commercial, new efficiency, and clean energy technologies.

In designing this program, CTED met with many stakeholders to receive input. CTED considered the input of Washington's cities and counties, state agencies, the Washington State University Extension Energy Program, the Bonneville Power Administration, utilities, and attendees of an Energy Summit CTED held to get input and provide information on ARRA opportunities. Over 750 people attended the Summit and there was unprecedented interest in developing an array of solid projects.

We also recognize that some projects may require assistance with regulatory compliance. On February 13, 2009 Washington's Governor Gregoire issued an executive order to streamline capital stimulus projects. The Governor identified the Governor's Office of Regulatory Assistance (ORA) to "help funding agencies ascertain the level of permit readiness for qualifying projects, to advise agencies on how best to educate project proponents about readying their projects for permit and to insure status of permit reviews." CTED will work with applicants to engage ORA, a state agency providing services to ensure that state and national policies are followed when considering likely environmental consequences of proposals. ORA can guide staff and businesses through state and national environmental permitting processes, including the State Environmental Policy Act (SEPA) and National Environmental Policy Act (NEPA).

Goals and Objectives: CTED has undertaken a comprehensive RFP development process for the loan and grant fund that will be completed in June. The evaluation protocol is under development but will likely include, at least, the following elements:

- Maximize loans (goal is to distribute at least two-thirds of the funds via loans)
- Leverage ARRA funds by favoring projects that have at least a one-to-one financial match
- Select projects across a range of risk
- Create or retain as many jobs as possible
- Reduce energy consumption
- Produce renewable energy
- Reduce greenhouse gas emissions
- Supplement other funds available from governments, utilities, or private financing
- Ensuring transparency and accountability

7. Milestones

Planned Number

Complete the Design of the Program	1
Develop and Issue Request for Proposals	2
Review Proposals	40-60

Obligate Funds	25-35
Develop and Execute Contracts	25-35
Monitor Contracts (quarterly)	120
Administer Program (ongoing)	1
Receive and Submit Quarterly Reports	12

8. Standard Metrics (required):

Jobs Created: 300-400

Jobs Retained: 100

9. Specific Metric Activity (required):

Number and monetary value of loans given: 15-25 loans, \$20-30 million

Number and monetary value of grants given: 5-15 grants, \$8.5-18.5 million

Number of renewable energy systems installed: to be determined based on projects chosen

10. Program Year Funds by Source

DOE ARRA Funds	\$38,500,000
State Funds	\$0
Other Matching Funds	\$0
Leveraged Funds Anticipated	\$38,500,000

The state has also authorized local municipalities receiving federal stimulus moneys through the federal energy efficiency and conservation block grant program or state energy program to use credit enhancements, subject to federal requirements, toward risk reduction mechanisms, including establishing a loan loss reserve to leverage financing for energy efficiency projects.

Goals and Objectives:

- Expand the opportunities for funding for energy efficiency projects in the state of Washington through financial institutions.
- Maximize the leveraging of federal funds
- Help to establish longer term mechanisms for future on-going financial support for energy efficiency projects.

7. Milestones

Planned Number

Select contractor to help develop program	1
Develop and Execute Contract	1
Develop and Issue Request for Proposals	1
Review Proposals	10
Develop and Execute Grants	5
Monitor Grants (quarterly)	15
Administer Program (ongoing)	1
Receive and Submit Quarterly Reports	12

8. Standard Metrics (required):

Jobs Created: 200-300

Jobs Retained: 0

9. Specific Metric Activity (required):

Financial Incentives for Energy Efficiency and Other Covered Investments

Monetary value of financial incentive provided - to be determined based on instruments chosen

Total value of investments incentivized - to be determined based on instruments chosen

10. Program Year Funds by Source

DOE ARRA Funds	\$5,000,000
State Funds	\$0
Other Matching Funds	\$0
Leveraged Funds Anticipated	\$25,000,000

- the effectiveness of, or redirect those funds to increase the state's competitiveness in clean energy technology.
- o Make recommendations on potential clean energy programs and projects for possible federal funding through the state energy program, consistent with federal requirements and guidelines.

7. Milestones

Planned Number

Staff Clean Energy Leadership Council	1
Develop and Execute Contracts	3

8. Standard Metrics (required):

Jobs Created: 0
 Jobs Retained: 0

9. Specific Metric Activity (required):

Clean Energy Policy	
Number of Alternative Energy Plans Developed	1

10. Program Year Funds by Source

DOE ARRA Funds	\$200,000
State Funds	\$0
Other Matching Funds	\$0
Leveraged Funds Anticipated	\$200,000

Jobs Created: 0
Jobs Retained: 8

9. Specific Metric Activity (required): None

10. Program Year Funds by Source

DOE ARRA Funds	\$2,244,000
State Funds	\$0
Other Matching Funds	\$0
Leveraged Funds Anticipated	\$0