

## Attachment E

### Energy Efficiency & Conservation Strategy for States

As detailed in Part 1 of this announcement, all applicants must submit an Energy Efficiency and Conservation Strategy (EECS). States must submit the EECS at the time of application. The format is contained in Attachment E. This form should be saved in a file named "UIC-Strategy.pdf" and click on "Add Optional Other Attachment" to attach.

**Grantee: State of Michigan**

**Date: 06/23/2009**

**DUNS #: 148674265**

**Program Contact Email: patrickj@michigan.gov**

**1. Describe your State's proposed Energy Efficiency and Conservation Strategy. Provide a concise summary of your measureable goals and objectives, which should be aligned with the defined purposes and eligible activities of the Energy Efficiency Conservation Block Grant (EECBG) Program. These goals and objectives should be comprehensive and maximize benefits statewide. Provide a schedule or timetable for major milestones. If your State has an existing energy, climate, or other related strategy please describe how these strategies relate to each other.**

Governor Granholm has incorporated energy efficiency as a centerpiece of her plan to transform Michigan's economy: "Jobs Today, Jobs Tomorrow." The state's aggressive efforts to implement this plan will increase energy efficiency and grow a renewable energy industry in Michigan, will create jobs, diversify our economy, reduce energy costs and consumption for consumers, businesses, and government, reduce our dependence on foreign oil and fossil fuels, and create healthier communities.

**Specific Existing State Goals to achieve this vision and plan are:**

**Michigan's Aggressive Goal: 45 percent reduction in use of fossil fuels for generation of electricity by 2020 – 2009 State of the State Address (SOS).**

- **State Energy Program implementation requires states to strive towards Energy efficiency reduction goal of 25 percent by 2012 – 10 CFR Part 420.13.**
- **10 percent RPS by 2015** of which 10 percent of the RPS able to be met with energy optimization (10 percent of the 10 percent RPS) or advanced cleaner energy credits (7 percent of the 10 percent RPS) – and 5.5 percent total electricity energy efficiency savings from utility optimization programs by 2015 - P.A. 295 of 2008.
- **Reduce state government grid based energy purchases by 25% by 2015 – P.A. 295 of 2008.**
- **Reduce the 2005 GHG baseline by 20 percent by 2020 and 80 percent reduction by 2050 – Michigan Climate Action Council Report.**
- **Continue development of Advanced Building Strategies Plan – Initiative pursuant to National Governors Association Technical Assistance Grant.**

**Specific Objectives that relate to the goals include:**

- Install 100,000 weatherization practices in homes – 2009 SOS
- Install energy efficiency and renewable technology in 1000 buildings-2009 SOS
- Initiate decoupling to increase energy efficiency- 2009 SOS
- Train 10,000 people - 2009 SOS.

- Create incentives for distributed generation – 2009 SOS.
- Conduct review and upgrade of building energy codes, consistent with Assurances made pursuant to the State Energy Program. – 2009 Cabinet Action Plan.

The state has taken steps to identify and align resources, programs, and policies to advance progress towards these goals and objectives. The ARRA funds provide a unique opportunity and mechanism to accelerate the plan by enhancing existing programs and gaining momentum in initial initiatives. The ARRA funds also provide an impetus to create additional programs and financing structures that will provide sustainability and long term programs to continue efforts after the ARRA funds have been obligated. (see question 5 for sustainability). Each sector where efforts could attribute to these goals was evaluated for existing programs and potential opportunities. The ARRA-SEP and EECBG funds will fill an important gap in existing funding streams for energy efficiency and renewable energy projects. The EECBG program will directly compliment and enhance the ability of Michigan to achieve these energy efficiency goals and help maximize statewide benefits.

Specifically, the EECBG funds will be focused on creating and retaining jobs; saving energy and energy costs; and reducing greenhouse gas emissions at the local level. The state will target the majority of its EECBG funds for competitive grants to local jurisdictions. In addition, the state will provide direction and technical assistance to the entitlement communities to maximize the statewide progress towards these goals. A specific competitive grant will target a pipeline of LED projects, leverage private investment, and create product demand to promote the manufacturing of these products in Michigan.

Preliminary discussions with local jurisdictions indicate many will be focusing on energy efficiency retrofits of existing public buildings. Some may also focus on energy efficiency to non-profits. These activities will directly relate to the progress towards the deeper penetration of energy efficiency and conservation across the state.

Specific ARRA-EECBG goals are:

- Reach out to every community in the state, regardless of funding (but using the ARRA funds as leverage), to provide energy efficiency information, planning, and tools. Through the Green Communities Challenge, the multijurisdictional grants, sharing best practices; the technical assistance grants and encouraging collaboration, the state will broaden the awareness, education, and value of energy efficiency deployment at the local level statewide.
- Initiate energy efficiency and renewable energy in 900 buildings. This number is based on an average assumption of 5 buildings with energy efficiency retrofits per jurisdiction, specifically 61 entitlement communities and an estimated 112 small community grants. In addition, approximately 10 percent may include renewable energy where the renewable energy projects either have environmental assessments completed, or would fit within the categorical exclusions of a National Energy Policy Review (NEPA).
- Provide 20-40 LED/SSL demonstration projects to showcase technologies and savings and to leverage manufacturing through pipeline of projects.

Michigan will allocate its EECBG Program funds (90 percent of the total amount) in the following manner to achieve its goals:

- Competitively distribute 79 percent (\$17 million) of the State's allocation in grants to small local jurisdictions.

- Competitively distribute 1 percent (\$196,000) of the state's allocation to nonprofits to provide technical support and programming to support development and implementation of energy efficiency conservation strategies.
- Competitively distribute 10 percent (\$1.96 million) of the state's allocation in grants to communities for LED projects.

See question 3 for performance metrics.

Key milestones are: Obligation of all projects within 18 months, and completion of all projects funded with ARRA-EECBG funds within 3 years. Interim milestones (based on a 60 day award) will include;

- Pre-award workshops – July 2009
- Issue RFP for Small Communities – August 2009
- Written Q & A – for 2 weeks from RFP issue
- Proposals Due – late August
- Review Proposals – September
- Announce and Award Grants – October
- Second Round of RFPs after award of additional funds. Timeline would follow similar pattern.

**2. Describe your State's proposed implementation plan for the use of EECBG Program funds to assist you in achieving the goals and objectives outlined in the strategy describe in question #1. Your description should include a summary of the activities submitted on your activity worksheets, and how each activity supports one or more of your strategy's goals/objectives.**

Department of Labor, Energy, and Economic Growth (DeLEG), Bureau of Energy Systems (BES) plans to use 89 percent of its EECBG funds in two separate competitive grant programs for non-entitlement communities and both align with EECBG-eligible activities as follows:

- A) Multi-purpose competitive grants support locally-established energy needs/priorities to undertake projects in one or more of thirteen eligible activities, as defined by the U. S. Department of Energy in the EECBG Funding Opportunity Announcement. This type of grant can contribute to all ARRA-EECBG objectives, to create/retain jobs, save energy and energy costs, reduce GHG emissions and encourage leveraging for more comprehensive and sustainable statewide efforts. Michigan has nearly 1745 eligible non-entitlement jurisdictions with a diversity of community sizes and needs. Geographically, the state stretches more than 550 miles from its southern border to its northwestern end in the Upper Peninsula. A multi-purpose grant program allows local choice of how best to address energy efficiency and conservation opportunities with available community resources, while it still will require a well planned and managed project or program.
- B) Light Emitting Diode/Solid State Lighting (LED/SSL) competitive grants will support complementary local and state government interests. This type of grant encourages demonstrations of this technology in various applications. There is substantial demand for using this technology for exterior, parking, street lighting, and traffic lighting applications throughout Michigan. The state already hosts the distribution/sales business of an LED/SSL manufacturer and would like to attract their manufacturing operations. Demonstrating market demand is a state objective. Despite the energy and maintenance saving benefits, few installations exist in Michigan due largely to higher acquisition costs. Although the costs for LED lamps have dropped nearly by half in the last few years, incentives are clearly indicated

now. These grants will offer a 90 percent cost share for the equipment (lamps, fixtures, & poles, if necessary); proposers will need to commit to a 10 percent cost share on equipment, plus 100 percent of the labor/installation costs, and for a community educational program/event after the LED project has been installed. The minimum grant is \$50,000 and the maximum is \$250,000.

Eligible jurisdictions may apply for one or both type grants. Also, they may apply for either grant type as a single or a multi-jurisdictional applicant, but may not submit two proposals for the same grant type.

To allocate these funds as equitably and as broadly across our state as possible, our competitive grants strategy above includes a population parameter in the RFPs that will allow applicants to know up front how to scale their proposals. Maximum grant awards reflect amounts just under those offered to Michigan's smallest entitlement jurisdictions. This parameter will cover single city/township and single county applicants, as well as multi-jurisdictional applicants. The multi-jurisdictional option was created to encourage cooperation between counties, their cities, townships, and elsewhere when it makes sense to submit a group project. [Examples: to create better opportunities to leverage program/project resources (i.e. energy performance contracting or a revolving loan fund) and to increase investment in a regional plan (i.e. Waste Water Treatment Plant that serves several smaller communities.)] The minimum grant amounts above will be \$50,000; the maximum amount for single cities/townships is \$140,000, for single counties will be \$650,000 and for multi-jurisdictional grants \$650,000.

We anticipate that 72-92 multi-purpose sub grant awards could be made; also, that 20-40 LED/SSL demonstration grants can be obligated from a single solicitation within 60-90 days of Michigan's initial award. However, with a federal limit on receiving 50 percent of Michigan's allocation (\$9,799,800), we plan to prioritize awards to those high ranking proposals evaluated to be most "shovel ready" and thus ensure that at least 60 percent of that amount (\$5,879,880) is obligated and early results reported within 180 days of the state's award. Other proposals that scored high enough to receive a grant award, but for whom funding will be delayed, will be asked to update and re-submit their proposals in January 2010. These updated proposals will be reviewed, re-ranked, and submitted for sub awards as soon as the State of Michigan is approved to receive its second DOE allocation.

C) Technical Assistance competitive grants will offer additional help to non-entitlement sub grantees to develop and implement their local energy efficiency and conservation strategies for municipal operations and/or their communities. They may also assist sub grantees with related metrics reporting to the state. Finally, they may also serve in a liaison role between entitlement communities and the state energy office to coordinate and better reflect EECBG statewide impacts. These grants will be targeted to the nonprofit sector and include energy, environmental, and local government organizations. – Three to six small grant awards are expected to be made through an RFP to be issued early in 2010. These grants are expected to have an indirect impact on the established program goals by enabling the efficient and effective implementation of the local jurisdiction.

**3. Summarize your performance metrics from Attachment B1 – Project Activity File: Proposed Number of Jobs Created, Proposed Number of Jobs Retained, Proposed Energy Saved and/or Renewable Energy Generated, Proposed GHG Emissions Reduced (CO2 Equivalents), and Proposed Funds Leveraged.**

The Michigan DeLEG/BES will require that funded grantees regularly collect, track, and report metrics data related to energy savings, cost savings, jobs created/saved, and emissions reductions, as described in the EECBG pre-defined metrics. The Michigan DeLEG/BES proposes target performance metrics from Attachment B1 are:

- A) Number of Jobs Created - (19,599,600/\$92000 per job = 214 job years)\*
- B) Energy Saved and/or Renewable Energy Generated - [948,304 million source BTU\*\*
- C) GHG Emissions Reduced (CO2 Equivalents) - [69931 metric tons]\*\*
- D) Funds Leveraged - [\$ 2,057,958]\*\*

\*The DOE Calculator generated 214 new job years estimate;

\*\* Underestimated benefit until multi-purpose sub grant projects are selected and known in October 2009.

**4. Describe your State’s established process for providing sub-grants to units of local government that are not eligible for direct EECBG formula grants from DOE.**

The DeLEG/BES will follow a block grant contract award process as established by the state. The Department of Management & Budget, Purchasing Office and the DeLEG/BES will work collaboratively to assure contracting, procurement, and accounting requirements are complied with. The DELEG/BES will administer competitive grants for the small cities/counties program consistent with the requirements of the U.S. Department of Energy for the EECBG Program. A Request for Proposals (RFP) will be used to solicit proposals under the program. The RFP will be available for issuance within 14 days after the grant award is made to the State of Michigan.

The DeLEG has developed an allocation grant application package for the DOE that will distribute 79 percent of the allocated funds to at least 112 subgrantees, some of which will be multi-jurisdictional awards to eligible local governments that were not eligible to receive direct grants from the EECBG Program. Under this plan, each of the municipalities will receive from \$50,000 to \$650,000, based in part on the size of the population they serve, and in part on the relative strengths of their proposal(s). The DeLEG/BES will encourage local governments to leverage other available funding through the use of these program funds. There are a significant number of local government buildings that are more than 35 years old and in need of major repair, such as upgrading lighting, HVAC, and building envelope systems. Local governments will be encouraged to use the Rebuild MI Program that has identified a list of approved Technical Energy Analysts for needed project support services such as investment grade energy audits, building energy retrofit design and specification, installation, and energy savings measurement and verification.

A second grant application package will distribute 10 percent eligible local units of government for LED/SSC lighting projects.

**Solicitation and Selection**

- A) The standard DeLEG/BES RFP template and selection process will guide Michigan’s EECBG competitive grants processes. The DeLEG/BES Director and DMB, Purchasing Office will

approve the RFPs. A proposal evaluation committee will be selected and scheduled to evaluate the proposals.

- B) An RFP release announcement will be posted on the state's Recovery, E-grants and Energy Office web sites, and will also be sent electronically to appropriate distribution lists and project partners e.g., local government organizations,
- C) Interested persons may download the RFP from a websites or request a copy be sent to them electronically or by mail.
- D) All related Qs & As must be submitted in writing and will be posted on state websites w. potential links to partner sites.
- E) The State Administrative Board reviews the selected projects and amounts prior to a public awards announcement.
- F) The Governor in cooperation w. DeLEG Director will announce initial awards w. a press release in October, 2009
- G) Prepare grant agreements; secure & submit DOE-required documents, such as NEPA surveys, adjusted worksheets.

##### **5. Describe how this strategy has been designed to ensure that it sustains benefits beyond the EECBG funding period.**

The EECBG funds will be strategically deployed to accelerate energy efficiency awareness and implementation by reaching broadly to local jurisdictions. Specifically, the BES will offer 89 percent of the allocated funds competitively to 1745 non-entitlement communities, in every geographic region of the state and in all sizes of communities. A portion of the 89 percent, 10 percent, will be targeted to LED lighting projects in communities. At a time when municipalities are hard pressed to fund capital improvements, this program will jump start their efforts and allow them to realize operational savings that can be used to fund other energy efficiency and conservation projects. This effort will identify a pipeline of projects, offer the option of bulk purchasing, and encourage increased manufacturing, including diversified suppliers, as well as new manufacturers.

The state is leveraging this momentum and expanding the reach beyond the EECBG funding through the encouragement of sustainable fund investment practices and building additional local capacity through several existing and new programs. Leveraged financing includes:

- Leveraging public and private resources to enhance and supplement the scope of projects. i.e. collaborating work activities with other state or federally funded work; or with private funding such as utility funded energy optimization plans, renewable energy programs; commercial, or foundation;
- Use of revolving loan funds - Creates replenishing source of funds; No need to secure financing from 3rd party financiers; Provides for interest free loans; Can allow for projects with longer payback; Helps small organizations that may have trouble securing a loan;
- Performance contracting - ESCO guarantees savings removing the risk that savings will not be realized; ESCO will help find financing, facilitating this often difficult step;
- Cost share grants;
- Bulk purchasing of products through the state's purchasing program available to state and local government, Michigan (MiDEAL) program; MiDEal allows Michigan local units of government to benefit from the State's negotiating and purchasing power by permitting them to purchase from the State's contracts on the same terms, conditions, and prices as State government. Locals benefit not only from the reduced cost of goods and services, but also from indirect savings related to writing specifications, researching industries, processing

invitations to bid, recruiting a diverse pool of potential suppliers, and making awards. The MiDEAL is authorized by Michigan legislation and has been in existence since 1975.

- Encouraging collaboration with the utilities' energy optimization plan implementation.

Benefits from leveraged financing will:

- Expand the pool of money for communities that can be used for energy efficiency improvement
- Remove the need to provide 100 % upfront capital for projects
- Position local jurisdictions and the state to capture the full allocation and compete well for additional funds and
- Fulfills the ARRA emphasis on leveraging financing mechanisms to promote sustainable programs and resources.

As a result, the state and local jurisdictions will be able to

- Support more energy efficiency projects resulting in greater energy efficiency savings.

To further the reach of energy awareness and deployment, the state in conjunction with regional and statewide local government organizations have developed a challenge to local jurisdictions to lead by example in greening their operations, as well as their communities through the Green Communities Challenge Program. The Program provides a step by step template with a tool kit to identify the opportunities for energy efficiency and conservation and prioritize them. Additional community assistance is provided through the state's REBUILD MI Program.

This local community focus builds upon the state facility program established to meet the energy goals in P.A. 295 of 2008 which included energy reduction goals for state facilities. To enhance progress towards the goal, the DELEG manages the state funded, Retired Engineers Technical Assistance Program (RETAP) in conjunction with other state led efforts to advance energy efficiency and renewable energy in state facilities. The RETAP Program also provides energy audits, technical, and financial assistance to the commercial sector. To address the residential sector, the BES also assembled the various programs and stakeholders investing in the weatherization of homes to assure a collaborative and streamlined approach. The DELEG's "green jobs initiative" then provides training to support the jobs demand of the various program initiatives.

To achieve the goals previously described, the state must align and implement regulations, policies, and programs to assure sufficient progress is made towards those goals. Policy development underway that underscores the advancement of energy efficiency goals includes the administrative process underway to update the Michigan residential and commercial energy codes. The DELEG has also initiated discussions with stakeholders in regards to decoupling. Additional state policies place continued emphasis on green jobs development, the development of clean energy next generation technology, and diversifying the supply chain to support the renewable energy and energy efficient original equipment manufacturers.

Thus, the EECBG – ARRA funds are an important key to accelerating implementation and deeper penetration, while establishing some long term mechanisms. The funding aligns with ongoing and new policies and programs which provide the long term sustainable programs that will provide solid advancement of the energy, jobs, and climate change goals.

**6. The President has made it clear that every taxpayer dollar spent on our economic recovery must be subject to unprecedented levels of transparency and accountability. Describe the auditing or monitoring procedures currently in place or that will be in place**

**(by what date), to ensure funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse.**

**Transparency:**

The Michigan Governor's Office created a ARRA Recovery Office, and designated Economic Recovery Coordinators (ERC) for each department. The ERC for Energy has conducted stakeholder workshops in a variety of energy topics. In addition, both state and local units of government qualitatively identified potential shovel ready projects. These projects helped in decision making in regards to the use of the EECBG funds. The state has also conducted a number of workshops in conjunction with a number of stakeholders to assist and promote local jurisdictions with developing energy efficiency conservation plans. Three workshops have been held to assist the entitlement communities. Additional workshops are scheduled in July for the non entitlement communities. Additional training and tools will be made available to all communities to enhance the development and implementation of their energy efficiency conservation plans. The Green Communities Challenge website has also been formatted to provide for sharing of progress and best practices from local projects.

The Recovery Office also established a state Recovery & Re-investment Web site to provide all related announcements of funding opportunities, program goals, events and project reporting

**Accountability:**

Procedures established by the state's main procurement office in the Department of Management & Budget in cooperation with the DeLEG/Finance Assistance Services Bureau will be adhered to. General accounting principles will be followed in the processing of all financial transactions related to this program at the state level. A full time position has been hired within the BES to monitor sub recipient progress and coordinate the financial aspects of grant management. The program and grants will be managed by the DeLEG/BES staff.

The Governor has created a state greening council, supported by the DeLEG/BES, which will coordinate energy efficiency and renewable energy efforts with other state, local government, and private nonprofit agencies. A senior manager will direct state-administered EECBG Program activities and report directly to the director of the DeLEG/BES. The DeLEG/BES plans to add additional limited term staff as EECBG sub grants administration and who will administer sub grants, monitor, and analyze reports to verify that projects were implemented and funds properly accounted for.

Quarterly reports will be required on each project. Each project award will be listed on this Web site. Project information will be updated as projects move forward. Key metrics such as jobs created/retained, energy and energy cost savings per square foot and GHG emission reductions will be highlighted from among other metrics. Metrics in the small cities/counties program will be consistent with DOE's requirements of its eligible EECBG recipients. Energy STAR Portfolio Manager and other project management tools and best practices will be used before, during, and after the projects are completed to assess outcomes.