



Tax Extenders and Alternative Minimum Tax Relief Act of 2008

American Reinvestment and Recovery Act

Qualified Energy Conservation Bond (QECB) Allocation

GUIDELINES AND APPLICATION

Application must be submitted electronically and received by:

Monday, May 16, 2016 at 5:00 p.m.

Released: Tuesday, April 5, 2016

MICHIGAN AGENCY FOR ENERGY
7109 W. Saginaw Highway
P.O. Box 30221
Lansing, MI 48909

http://www.michigan.gov/energy/0,4580,7-230-72052_72054_73979---,00.html.

Michigan Energy Office QECB webpage
www.michigan.gov/energy
Michigan Agency for Energy website

Purpose

This Request for Applications is to inform interested parties of the Michigan Department of Treasury's intent to issue QECB allocations to qualified entities for energy efficiency and renewable energy projects. Treasury is acting in collaboration with the Michigan Agency for Energy on this allocation process.

I. Background Information

A. Qualified Energy Conservation Bonds

Qualified Energy Conservation Bonds (QECBs) were first authorized by the United States Congress in 2008. The 2009 American Recovery and Reinvestment Act (ARRA) appropriated \$3.21 billion nationally for QECBs. Michigan Department of Treasury is responsible for assigning the state's allocation to qualified projects, which in 2016 will be done through a competitive process. The Michigan Agency for Energy (MAE) is responsible for evaluating and ranking applications based on merit and consistency with state energy goals. This Request for Applications (RFA) will be used to compile and select proposals for state QECB allocations that assist with financing eligible energy conservation projects in Michigan.

The U.S. Treasury and the Internal Revenue Service determined individual state bond limitations. The maximum face amount of bonds (volume cap allocation) was determined in proportion to the population of the states. The Michigan QECB allocation was \$103,780,000. Each large local government (i.e. municipality or county with a population of at least 100,000) and the state government were allocated a portion of the state's total allocation in accordance with the population of the large local governments.

In 2015, MAE conducted an inventory of unused QECB allocations from the original recipients and found considerable interest in voluntarily waiving allocations to the state for redistribution. A waiver process and forms were developed and, subsequently, nearly \$30 million in unused allocation was waived to the state. The selection process for reallocating these QECBs, described in this application, was developed based on best practices of other states and the valued insights of a stakeholders group that provided public input throughout.

Up to 30% of the state's total issued allocation may be used for private activity bonds, which directly benefit businesses or individuals. This means that QECB proceeds may be loaned to private companies and/or for privately-owned or operated projects. To date, all issued Michigan QECBs have been for public sector projects and, largely to reduce energy consumption in publically-owned buildings. In this new round of opportunity, the State of Michigan encourages creativity and diversity of projects within the parameters of the federal and state QECB program.

All new allocations are expected to be awarded during 2016 in one or more rounds. Bonding capacity is limited so applications meeting all general policy guidelines may not receive an award. The state reserves the right to vary from the allocation criteria as necessary or appropriate based on the guidelines of the U.S. Treasury and Internal Revenue Service. QECB allocation decisions are expected to be made by the fourth week of June, 2016; and applicants will be notified via email. QECB allocation decisions are final. Allocations awarded are based on a competitive process where applications are weighed against other applications. Significant changes in the scope of work after QECBs are issued may result in actions by the U.S. Treasury. [See Part IV, Section C for more information on federal QECB reporting and compliance.]

B. QECB Goals

When considering projects for allocations, the State will weigh a number of factors, including but not limited to:

State of project development based on technical merits, maturity of the technology used and viability as reflected in the feasibility of defined tasks, budget, timeline and resource capabilities. The security and stability of the revenue source to repay the QECB, strength of applicant's finance plan, quantity and/or availability of any matching funds, and the ability to secure financing are important factors that will speak to the level of project development as well.

Alignment of project objectives with the priorities of Michigan energy policy. Michigan energy goals and priorities are: to insure energy adaptability, affordability, reliability and protection of the environment.

The impact for the State from the perspective of economic development, job creation, energy security, and consumers' costs associated with energy and environmental stewardship.

II. Administrative Information

A. QECB Specific Requirements

Qualified Energy Conservation Bonds (QECBs) may be issued by a public entity as defined by [Act 317 of 1968, Section 15.321](#) and, under federal QECB federal guidelines, private entities also may participate; and, are available to finance the following:

(a) Capital expenditures incurred for purposes of (i) reducing energy consumption in publicly-owned buildings by at least 20 percent, (ii) implementing green community programs (including the use of loans, grants, or other repayment mechanisms to implement such programs), (iii) rural development involving the production of electricity from renewable energy resources, or (iv) any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).

(b) Expenditures with respect to research facilities, and research grants, to support research in (i) development of cellulosic ethanol or other non-fossil fuels, (ii) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels, (iii) increasing the efficiency of existing technologies for producing non-fossil fuels, (iv) automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation, or (v) technologies to reduce energy use in buildings.

(c) Mass commuting facilities and related facilities that reduce consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.

(d) Demonstration projects designed to promote the commercialization of (i) green building technology, (ii) conversion of agricultural waste for use in the production of fuel or otherwise, (iii) advanced battery manufacturing technologies, (iv) technologies to reduce peak use of electricity, or (v) technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity.

(e) Public education campaigns to promote energy efficiency.

This guidance is provided to remind applicants of existing federal guidance and, is to assist when receiving and/or awarding contracts/subcontracts using funds made available under the American Recovery and Reinvestment Act of 2009, Pub L. 111-5 (ARRA or the Act). It is the responsibility of awarded applicants to

ensure compliance with all ARRA regulations and requirements imposed by the Qualified Energy Conservation Bond.

B. Proprietary/Confidential Information

Any restriction on the use or inspection of material contained within the responses to the application shall be clearly stated in the response to the application itself. Written requests by the applicant for confidentiality shall be submitted to MAE in advance of the application submission deadline. Please allow sufficient time prior to the application submission deadline for a response by MAE. The applicant must state specifically what elements of the proposal are to be considered proprietary/confidential and must state the statutory basis for the request under the Freedom of Information Act (Act 442 of 1976, MCL, Section 15, MCL 15.231-15.246).

Proprietary/Confidential information must be readily identified, marked and separated/packaged from the rest of the proposal. Co-mingling of proprietary /confidential and other information is not acceptable. Neither an application, in its entirety, nor application price information will be considered proprietary and confidential. Any information that will be included in any resulting contract cannot be considered confidential. The State of Michigan will make a written determination as to the apparent validity of any written request for confidentiality. In the event the state does not concur with the applicant's request for confidentiality, the written determination will be sent to the applicant. See FOIA (Act 442 of 1976), MCL 15.231-15.246.

C. Ability to Issue Bonds

By submitting an application, the applicant affirms its acceptance of the terms and requirements of the QECB program as established by ARRA, the U.S. Treasury and the State of Michigan. *The applicant must be willing and able to issue QECBs within six month of the allocation award.* Financing timelines longer than six months will be considered by the state, but may not have priority over more "shovel ready" applications. Based on the type of project and financing plan, other milestones may be asked of the applicant throughout its project development. [See Part III. QECB Application, Section B. Plan of Finance for the three required attachments that demonstrate ability to issue bonds.]

D. RFA Response Material Ownership

The state has the right to retain applicants' original applications and other RFA response materials for its files. As such, the state may retain or dispose of all copies as is lawfully deemed appropriate. Application materials may be reviewed by any person after the "Notice of Intent to Make an Award" letter(s) has/have been issued, subject to the terms of the Michigan Freedom of Information Act. The state has the right to use any or all information/material presented in reply to the RFA, subject to limitations outlined in the RFA, Section II. B. Each applicant expressly agrees that the State may use the materials for all lawful state purposes, including the right to reproduce copies of the materials submitted for purposes of evaluation, and to make the information available to the public in accordance with the provisions of Michigan's FOIA.

E. Doing Business in Michigan

Successful applicant vendor(s) must be registered with the Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities and Commercial Licensing Bureau, in accordance with Act 213. The website link is: <http://www.michigan.gov/corporations>.

F. News Releases

News releases pertaining to resulting awards from this application shall not be made prior to the announcement of the allocation award or without prior written approval of the state.

G. Disclaimer

All statistical and fiscal information contained within this application, and any amendments and modifications thereto, reflect the best and most accurate information available to the state at the time of the QECB application preparation.

H. Inquiries

Applicants should not rely on any other statements, either written or oral, that alter any specification or other terms or conditions of this application during the open solicitation period. Applicants should consult with bond counsel regarding the legal requirements and issuance of Qualified Energy Conservation Bonds or other ARRA specific requirements. The responsible state agency will provide information regarding best practices and the RFA guidelines, as well as a Q&A guide. All written inquiries should be emailed to patrickj5@michigan.gov by 5:00 p.m. (EDT) on Monday, May 2, 2016. Responses will be answered in writing and posted on the MAE website under this solicitation by 5:00 p.m. (EDT) on Monday, May 9, 2016. Please visit the Michigan Agency for Energy (MAE)/QECBs [webpage](#) for additional information.

III. QECB Application

A. Application Response Format & Submission Deadline

The application response shall not exceed ten (10) consecutively-numbered (bottom center), 8.5x11-inch pages of single-spaced, standard 11-point type with 1-inch margins. An electronic copy must be sent to patrickj5@michigan.gov **no later than 5 p.m. (EDT) on Monday, May 16, 2016**. An original signature paper copy must be received at the MAE Offices, 7901 W. Saginaw Highway, Lansing MI 48917 by 5 p.m. (EDT) on Thursday, May 19, 2016. Incomplete applications received after these deadlines will **not** be considered.

Please email your application with the subject heading "QECB Application, May 2016 – ENTITY NAME." All materials must be attached to one email. Applicants will receive an email notification of the receipt of their application as soon as possible after submission.

B. General Instructions

Applicants must submit all of the following information on the proposed project in the order listed below. All applications must be signed and dated by an authorized person in the applicant's organization.

Abstract

Provide a brief description of the project or program for which funding is being requested and clearly state how it will help meet the goals and objectives of the QECB program and the American Recovery and Reinvestment Act. The abstract should be no more than 125 words. Please keep this paragraph free of any proprietary/confidential information.

Narrative

Provide project background that demonstrates specifically how the project will contribute to State's QECB goals as referenced in Sections I.B. and II.A. of this RFA. Describe the location of the project and why the applied technology is appropriate.

Describe the expected project outcomes including impacts that it will likely have on the community, region and/or state from economic development, job creation, energy security, consumer costs associated with energy and environmental stewardship perspectives. Provide information on how this project fits into the facility's energy plan or larger related effort. Also, include an explanation of the project's current stage of development and its technical merits, including the cost effectiveness of the proposed technology. Finally,

based on your knowledge and research, discuss how this project aligns with the energy priorities of the state. Complete **Attachment 1**, including the energy savings estimates applicable to each project proposed in the QECB allocation application, and insert it at the end of the application.

Preference will be given to proposals demonstrating the greatest alignment with the State of Michigan energy goals and priorities; the most advanced project development and having a feasible finance plan; and the greatest potential for positive energy, economic development and/or environmental impact to the surrounding community, region and/or the state.

Budget

Provide a spreadsheet of all project costs, including but not limited to Personnel/Fringe Benefits and Contractual showing budgeted hours, and rates; Equipment, Materials and Supplies; Travel; Legal & Financing Fees; Other Direct Costs (list); Indirect costs, plus a total. Travel costs should be limited to those that are directly essential to accomplishing the project. Also, list any other funding sources that will be used for this project and, in the Budget Narrative, indicate any plans to secure additional funding.

For Example:

<u>Project Cost</u>		<u>Project Funding</u>	
Equipment	\$ 100,000	QECB Allocation	\$ 100,000
Materials & Supplies	\$ 10,000	(Requested in this application)	
Contractual	\$ 100,000	Utility Incentive/Rebate	\$ 10,000
Legal & Financing Fees	\$ 15,000	County EDC Grant (pending)	\$ 50,000
Permitting Fees	\$ 500	Cash/Equity Contribution	\$ 67,500
Personnel (Salary+Fringes)	\$ 1,000		
Indirect	\$ 1,000		
Total Project Cost	\$ 227,500	Total Project Funding	\$ 227,500

Budget Narrative

Briefly describe how the budget costs were determined and how they relate to the project(s) included in the application. Indicate any other funding sources that will be used for the project(s) and describe any plans to secure additional funding. If funding is not yet secured or awarded from any source, please indicate that clearly.

Plan of Finance

Provide a brief explanation of how the QECBs will be financed (i.e. industrial development bonds, General Obligation Bonds that require voter approval, Limited Obligation Revenue Bonds, capital leases, etc.) and the term of the loan. Also, explain how these funds are being secured and what safeguards are in place to insure that the QECB can be repaid, based on the useful life of the proposed installed equipment or project. Please identify who the issuer would be for this project; and the obligor (i.e. entity responsible for repaying the bonds).

The following documents should be attached to the application response:

1. Resolution (intent resolution) from authorizing body re: intent to issue bonds for the project.
 - Yes No
2. Letter from Bond Counsel that the project is QECB-eligible.
 - Yes No

3. Letter from Financial Advisor or Underwriter/Purchaser that the issuer has market access.
 Yes No

If not attached, please explain why or give the date by when each document can be submitted.

Please indicate whether a partial award of QECSs would be feasible for the project.

Proposals should demonstrate an understanding of the bond issuance process, including all relevant stakeholders that must be associated with the bond issuance. Preference will be given to projects that already have engaged those stakeholders and can outline a plan and timeline for the bond issuance.

Staff Project Management Experience, Qualifications and Facilities Requirements

Describe the project staff responsibilities and qualifications. Biographical sketches of the staff and/or development team are to include a brief resume/summary of qualification and previous accomplishment (for similar projects) for the project manager(s).

Describe the internal resources available to the project team or partners, including facilities, major equipment and other technical aspects; and, permits and administrative resources that will be required for the project.

Project Tasks

A list of major project tasks to be completed in the order of completion must be submitted. These tasks will directly feed into the milestone progress and will be included in the issuance award letter. Tasks should identify core areas of work, the lead and the amount of time to complete. A chart (Gantt or similar) should be used to describe timeframes for the project's tasks.

Project Milestones

Include a schedule of project milestones that demonstrates a project start date until the end of the project. Identify what issues/conditions still need to be resolved before the project can begin and what barriers might be foreseeable. The milestones should reflect major events in the life of the project and should help determine progress to success. Additional information may be requested by the state from applicants prior to final award.

Application Certification

The application must be signed by an authorized official within the applicant's organization. The paper copy must be an original signature. This certifies that the application response is accurate and complete; and, if awarded an allocation, the applicant accepts responsibility to ensure compliance with all ARRA regulations and requirements imposed by the Qualified Energy Conservation Bond.

IV. Evaluation and Award Selection Process

A. Evaluation Team

All applications will be reviewed by an evaluation team comprised of Michigan Department of Treasury and Michigan Agency for Energy personnel and other evaluators, as appropriate. Applicants will be notified when/if additional information, documentation or personal interviews with project principals may be required. All information required to complete the application for allocation is provided herein. No additional information, including email and phone calls will be considered during the selection process. Applications deemed incomplete, ineligible or not selected for allocation will be returned to the applicant.

B. Evaluation Criteria, Weights and Considerations

When considering applications, the state's review team will score proposals in the following categories.

Project Development (40%) – Application evaluators will take into account the project narrative, budget, plan of finance, staff project management experience, qualification and facilities requirements, project tasks, and project milestones. Ranking considerations follow.

The project is not developed. There is no sound plan for implementation and/or the plan for finance is unrealistic and/or the project team lacks experience and/or the project plan and timeline lack insight and preparation.

The project's development is questionable. There is no sound plan for implementation and/or the plan for finance is vague or suspect and/or the project team's experience is questionable and/or the project plan does not contain enough insight and preparation to adequately address concerns.

The project has a reasonable level of development. The plan for implementation is adequate; and/or the plan for finance is sufficient; and/or the project team has some proven experience and/or the project plan and timeline is reasonable and relatively insightful and/or some level of matching funds is provided.

The project is completely developed and most likely will be successful. The implementation plan is sound and/or the finance plan is logical and clearly well thought out; and/or the project team has significant proven experience and/or the project plan and timeline are of great quality and superior to others reviewed; and/or significant matching funds are provided.

Alignment with Priorities of the State (40%) – Application evaluators will consider the project objectives, and the Governor's Energy Plan as outlined at this [website](#). The level of alignment will be reviewed based on what is provided in the Project Narrative. Ranking considerations follow.

The project either did not provide a discussion for how this project is aligned with the priorities of the State or the project clearly is not aligned with the priorities of the State.

The project discussed how it is aligned with the priorities of the State, but the discussion was vague and/or the alignment is weak.

The project discussed how it is aligned with the priorities of the State and the discussion was clear and reasonable and the alignment was satisfactory.

The project is aligned with the priorities of the State and/or is more aligned than others reviewed.

Impact on the Community, Region or State (20%) – When considering the impact that a project will have on a community, region or state, evaluators will consider the potential for spurring economic development, job creation, improved energy security, reduced consumer costs associated with energy, and environmental stewardship. The legitimacy of these impacts will be reviewed based on what is provided in the Project Narrative. Therefore, it is important for applicants to attempt to quantify the metrics mentioned above to the best of their abilities. Ranking considerations follow.

The project has unrealistic or absent estimates relating to the positive impact that it will have on the community, region or state or the project has no potential to positively impact the community, region or

state from the perspective of economic development, job creation, energy security, consumer costs, and environmental stewardship.

The project provided estimates relating to the positive impact that it will have on the community, region or state; and, those estimates appear to be reasonable, but they are poorly justified or explained and/or the positive impacts are limited from the perspective of economic development, job creation, energy security, consumer costs and environmental stewardship.

The project provided estimates relating to the positive impact that it will have on the community, region or state; and those estimates are reasonable, justified and explained. Further, the positive impacts to the community, region or state are noteworthy from the perspective of economic development, job creation, energy security, consumer costs and environmental stewardship.

The project provided estimates relating to the positive impact that it will have on the community, region or state. Those estimates are reasonable and well justified and explained. Further, the positive impacts are significant from the perspective of economic development, job creation, energy security, consumer costs and environmental stewardship AND are superior to the benefits projected by other applying projects.

C. Reporting

All QECB allocations will require accountability and reporting. Projects financed with QECB proceeds are subject to various federal laws and regulations, including, but not limited to, the Energy Improvement and Extension Act of 2008, the HIRE Act (H.R. 2847 (Sec. 301), and the American Recovery and Reinvestment Act (ARRA) (e.g. Davis-Bacon Act, contract Work Hours and Safety Standards Act, Buy American Provision of ARRA, etc.). Further, QECB use is subject to audit by the Internal Revenue Service and the U.S. Treasury. These and other requirements may apply and should be discussed with bond counsel during the preparation of proposals.

Awarded applicant(s) shall comply with reporting requirement as determined by the U.S. Treasury, the Internal Revenue Service; and copies of these reports shall be sent to the State Treasurer's Office and Michigan Agency for Energy.

Desc	Data
Agency Information	
Market	
Project Type	
Name/Title of Application Preparer	
Title/Relationship to Applicant	
Project Description	
Project Name	
City of Project	
County of Project	
Description of Project (25 words or less)	
Description of equipment to be installed (25 words or less)	
Total Project Cost	
Requested QECB Allocation	
Type of Financing (GO Bonds, COP, etc)	
Start date (mm/dd/yr)	
Finish date (mm/dd/yr)	
Savings	
kWh_Savings	
kWh_Cost_Savings	\$
kW_Savings	
kW_Cost_Savings	\$
Fuel 1	
Fuel1_Savings_(MMBtus)	
Fuel1_Cost_Savings	\$
Fuel 2	
Fuel2_Savings_(MMBtus)	
Fuel2_Cost_Savings	
Water_Savings_(kgal)	
Water_Cost_Savings	\$
Total_MMBtus_Saved	
Total_Cost_Savings	\$
Simple_Payback	Number of years
Carbon Emissions Reductions (tons)	

Project Baseline	
Total_Building_SqFt	
Base_kWh	
Base_kWh_Cost	\$
Base_kW	
Base_kW_Cost	\$
Fuel 1	
Base_Fuel1_(MMBtus)	
Fuel1_Cost	\$
Fuel 2	
Base_Fuel2_(MMBtus)	
Base_Fuel2_Cost	\$
Base_Water_(kgal)	
Base_Water_Cost	\$
Base_Total_(MMBtu)	
Base_Total_Cost	\$
Contact Information	
Project Name	
Agency	
First Name	
Last Name	
Position Title	
Fax	
Phone	
Cell Phone	
Email Address	
Company Webpage	
Street Address	