

CSPM 2100

Deferral Reduction Policy

EFFECTIVE DATE August 8, 2024
ISSUE DATE December 19, 2023

REFERENCES

- Deferral Reduction Grant Agreement

POLICY CHANGES

- Policy Changes Effective 8.8.2024
- Use of DR Funding after Weatherization work has commenced
- Removed ASHRAE from DR allowable measure list
- Removed references to FACSPRO queue and FACSPRO funding set up
- Updated reporting spreadsheet instructions

SECTION I: BACKGROUND

PURPOSE

MDHHS-BCAEO has received Federal State and Local Fiscal Recovery Funds (SLFRF) for a ARP-preweatherization grant program. This program was specifically funded in the Fiscal Year 2024 Michigan State Budget.

Sec. 557. Funds appropriated in part 1 for ARP - preweatherization must be used to improve homes, reduce energy usage, and lower utility bills.

Unexpended funds appropriated in part 1 for ARP - preweatherization are designated as a work project appropriation. Unencumbered or unallotted funds shall not lapse at the end of the fiscal year and shall be available for expenditure until the project has been completed. The following is in compliance with section 451a of the management and budget act, 1984 PA 431, MCL 18.1451a:

- (a) The purpose of the project is to improve homes, reduce energy usage, and lower utility bills.
- (b) The project will be accomplished by utilizing state employees or contracts with service providers, or both.
- (c) The total estimated cost of the project is \$25,000,000.
- (d) The tentative completion date is September 30, 2026.

These funds are rare and valuable to the network. BCAEO encourages Grantees to focus on helping the largest number of clients become Weatherization ready and providing complete weatherization services with these funds.

BCAEO is requesting that Grantees track and report client success stories in this program where homes go from deferral conditions to fully Weatherized. Client success stories should be reported with grant specific reports as outlined in the "Reporting" section.

SECTION II: PROGRAM REQUIREMENTS

The purpose of the project is to improve homes, reduce energy usage, and lower utility bills. Many homes of eligible residents in Michigan are in a state of disrepair that cannot be addressed with Weatherization funds. Normally those cases would lead to a deferral – an instance where an otherwise eligible home would not receive repairs or services because the materials installed would be compromised. The Michigan Weatherization Assistance Program (WAP) has identified deferrals due to the condition of applicants' homes as a significant barrier to WAP implementation and expansion. This pre-weatherization funding allows reason(s) for deferral to be addressed so that Weatherization work can commence.

Furthermore, comprehensive weatherization of a home may be beyond the scope of funding that the DOE Weatherization program can address due to funding limitations. These funds can be braided with DOE and LIHEAP funds to allow for additional energy saving measures to be completed with the goal of reducing energy usage and lowering utility bills.

Likewise, comprehensive weatherization could include additional measures that reduce energy usage and lower utility bills that may not be encompassed in the standard DOE scope of Weatherization. These measures as defined below are shown to use less energy, saving money on utility bills.

Services with this funding may include construction, reconstruction, improvement, or repair of single-family and multi-family residential buildings to correct health and safety conditions as identified by the weatherization assistance program's energy audit. If unaddressed, these issues that would require a deferral from participation in energy efficiency and weatherization programs.

Program Requirements:

Unless otherwise stated, Preweatherization (WxDEF) funds are to be spent following LIHEAP rules. Exceptions to LIHEAP rules for Preweatherization funds are contained in this policy. The flexibility in these rules allows for more extensive energy efficiency and health and safety measure installation than what is normally allowed in the Weatherization Assistance program (WAP), with the ultimate goal of improving homes, increasing energy savings, reducing fuel use and lowering utility bills, and providing a safe and healthy home environment.

I: Weatherization Readiness – Deferral Reduction:

Deferral reduction (DR) funds are designated for use by Grantees in addressing structural and health and safety issues of homes that are currently in the queue to be weatherized, but at risk of deferral. This funding is specifically targeted to reduce the frequency of deferred homes that require other services, outside the scope of weatherization, before the weatherization services can commence. Additional measures not called for in the audit may be implemented to reduce deferrals.

Measures addressed under deferral reduction must have justification that the job was in deferral or, at risk of deferral, and the issues addressed with deferral reduction funds are beyond the scope of weatherization.

Grantees and Energy Auditors should make every effort to identify all potential causes of deferral prior to weatherization beginning. At times, issues may arise during weatherization that could necessitate ceasing the completion of the unit, resulting in a deferral after weatherization has begun. Weatherization Readiness – Deferral Reduction Funding may be used to resolve issues identified during weatherization allowing the unit to be completed. Weatherization Readiness – Deferral Reduction Funding may not be used after weatherization work is completed.

Allowable Measures

- Measures that may be addressed to reduce deferrals without prior approval from BCAEO are as follows:
 - Mold remediation
 - Moisture control
 - Knob and tube wiring issues
 - Electrical issues
 - Grading, gutters and downspouts
 - Roof repair and replacement
 - Structural issues
 - Measures to meet SHPO requirements
 - Drainage system
 - Sump pump installation
 - Plumbing repair and replacement
 - Pest control
 - Asbestos encapsulation and remediation
 - Duct repair and replacement
- Grantees may encounter reasons for deferral not included on the prior list. In these instances, the Grantee must submit a waiver to BCAEO. The waiver request must include:
 - Client or Job Information
 - Summary of the cause of deferral
 - Measures needed to address the deferral and estimated cost
 - Anticipated scope of weatherization work (including anticipated ECMs) BCAEO understands that this will be an estimate as an actual energy audit may not have been conducted.Waivers must be submitted to MDHHS-BCAEO@michigan.gov, Grantee's technical monitor, and weatherization specialist. The Grantee must receive pre-approval before work commences.

A limit of \$15,000 per job on deferral reduction work is allowed without prior approval from BCAEO. Grantees must submit a waiver to BCAEO for jobs needing more than \$15,000 in deferral reduction costs and receive pre-approval before work commences.

Documentation

The client file must contain documentation of the cause of deferral and tie to weatherization work.

Pre and post photographs are required of all deferral reduction measures addressed under this program. Grantees are encouraged to utilize this method, at minimum, to verify work orders and completion. Grantees may choose to keep job photographs on a grantee system. The grantee is

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responsible for supplying the photographs to BCAEO staff upon request and in a timely manner (i.e., monitoring). Grantees that do not wish to store their photographs on a grantee system must upload photographs as instructed by the state to the state database system client file or work with BCAEO on an alternate option.

As a component of verifications, grantees must have Energy Auditors or QCs verify DR installations when they are onsite for the subsequent weatherization energy audit or quality control inspection. Verification of the deferral reduction work would include assessing that weatherization work can proceed and the cause of deferral has been remedied.

Reasonable Costs

Grantees must follow reasonable costs practices as spelled out in 45 CFR 75.404, as well as their own internal procurement policy when procuring contractors and/or materials for to address causes of deferral. Please see below for 45 CFR 75.404.

“45 CFR 75.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.”

Preweatherization (WxDEF) Deferral Reduction work will be conducted after intake and eligibility determinations for weatherization but may occur before the energy audit is conducted. Some timeline rules are formulated between the eligibility determination and energy audit conducted during a WAP job (see CSPMs 601 and 606). The following policies will supersede those timeframes when DR work is taking place:

Substitute for timeframe from CSPM 601: “Re-certification, the redetermination of a household's income eligibility, must occur at least every 12 months from the eligibility date, if the **deferral reduction work** has not yet been initiated.”

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Substitute for timeframe from CSPM 606: “Grantees must complete the weatherization of a home within 6 months of **completing the deferral reduction work**. Jobs that are not completed within 6 months of **completion of deferral reduction work** require an additional, up to date, energy audit to be performed.

Exceptions to queue order

At times, causes for deferral may be identified once weatherization work commences or is identified in conjunction with completing an energy audit. In instances where the DR repair must take place at a different time during the Weatherization job, that is allowable with the following items considered:

- The Weatherization job must be completed within 6 months of the energy audit or deferral reduction work closing, whichever is earlier; and
- If the DR repairs affect the energy audit for Weatherization work, the energy audit must be rerun considering the changes.

II: Braiding with DOE or LIHEAP

Funds may be used to complete measures identified in the WAP scope of work in alignment following the DOE WAP regulations and the U.S Department of Health and Human Service (HHS) LIHEAP regulations. The grantee will determine which weatherization measures will be completed on an eligible dwelling unit in accordance with the approved auditing tool, Michigan Weatherization Field Guide (MFG), Standard Work Specifications (SWS) and CSPM.

Energy Conservation Measures (ECM) identified in the Weatherization Assistance Program scope of work from the auditing tool can be covered with Preweatherization WxDEF funds to allow grantees to balance the DOE and LIHEAP ACPU. This will allow grantees to reduce deferrals of jobs that have a large scope of work that cannot be completed using DOE funds only. ECMs identified with the auditing software must have a Savings to Investment Ratio (SIR) of 1.0 or greater and these measures reduce energy usage and lower utility bills. Ancillary costs and Incidental Repairs are allowed following CSPM 607.

Additionally, H&S measures may be covered under this funding source following the DOE Weatherization Assistance Program H&S Plan. The grantee may submit a waiver for approval from BCAEO to install specific Health and Safety measures that are not covered as allowable by the Weatherization Health and Safety plan (see CSPM 614).

High-Cost H&S Jobs – Exception to CSPM 614

Grantees may cover H&S costs that exceed the 50%/65% threshold (see CSPM 614) with Preweatherization WxDEF funds to reduce the H&S costs of the job for DOE/LIHEAP WAP to the allowable threshold to permit work to proceed without a waiver. In these cases, the file must have documentation that shows that the H&S costs of the DOE/LIHEAP component of the job is below 50%/65% of the *total* work scope of the job. The specific H&S measures covered with Preweatherization WxDEF funds must be noted in the file and reported.

Documentation and installation of measures installed in this category align with DOE and LIHEAP guidance. These measures must be evaluated by the grantee QCI as part of the Weatherization scope of work.

III: WxDEF Specific Energy Efficiency Measures

Energy Efficiency measures as follows may be installed using Preweatherization (WxDEF) funds. Measures installed in this category will meet certain efficiency standards or must be ENERGY STAR rated. Per the Energy Star Website “To earn the ENERGY STAR, they must meet strict energy efficiency criteria set by the US Environmental Protection Agency or the US Department of Energy. Since they use less energy, these products save you money on your electricity bill...”

Measures installed in this category should first be run through the approved audit and considered as a standard ECM or H&S measure. If on the standard WAP scope of work, measures can be installed using this funding as outlined in section II.

BCAEO allows for the following measures under WxDEF without an SIR justification in the following circumstances:

- 1) Furnace / Forced Air System
 - a. Current unit is over 18 years old.
 - b. Replacement unit must be ENERGY STAR rated or have a AFUE of 95%+ per the AHRI certification.
- 2) Boilers
 - a. Current unit is over 20 years old.
 - b. Replacement unit is ENERGY STAR rated or AFUE of 87%+ for oil boilers and 90%+ for gas boilers per the AHRI certification.
- 3) Water Heaters
 - a. Current unit is over 13 years old.
 - b. Gas-fired Storage Water Heaters: Replacement unit must be ENERGY STAR Rated or have a UEF of ≥ 0.86 .
 - c. Gas-Fired Tankless Water Heater: Replacement unit must be ENERGY STAR rated or have a UEF ≥ 0.95 .
 - d. Heat Pump Water Heater: Replacement unit must be ENERGY STAR rated
- 4) Air Conditioners – **Replacement** only
 - a. Replacement in conjunction with a forced air heating system replacement.
 - b. Current unit is over 15 years old and be a SEER of 13 or less.
 - c. Replacement unit must be ENERGY STAR rated and properly paired with the furnace.
- 5) Stand Alone Freezer
 - a. Current unit is over 15 years old.
 - b. Meter the freezer. Replacement unit must be ENERGY STAR rated with the projected Annual Energy Use (kWh/yr) less than the current unit.
 - c. If replaced, current unit must be permanently decommissioned or removed and recycle or dispose of removed appliance and refrigerant in accordance with local and federal law.
- 6) Waivers may be submitted to consider measures not listed above. The waiver must include parameters for when the measure would be installed and the efficiency rating or be aligned with an ENERGY STAR rating.

In general, the parameters above apply to replacements with the same fuel type. If replacement measures in this section include a fuel switch, pre-approval must be provided by BCAEO on a case-by-case basis. Fuel switching support must demonstrate that the new system will not inadvertently raise utility costs or negatively impact the client.

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Documentation and installation of measures installed in this category must align with Michigan Field Guide and SWS guidance as applicable. The installation of these measures must be evaluated by the grantee QCI as part of the Weatherization scope of work. Documentation for these measures must show the above criteria was met.

Items in this category will be charged to the Labor & Materials cost category.

Items in this category must be input into WA as a user defined measure (UDM) with the prefix **EE (Energy Efficiency)**. These items may not be paid for out of DOE or LIHEAP funds. Refer to Attachment 1 of this CSPM - User Defined Measure Guide –WxDEF specific energy efficiency measures.

Preweatherization (WxDEF) funds may be used to:

1. Complete Deferral Reduction work on units that will be weatherized through the WAP.
2. Provide ECM measures on DOE/LIHEAP units based on measures called for in NEAT/MHEA.
3. Provide health and safety measures on eligible units.
4. Provide additional energy efficiency measures as defined and outlined in this policy.

Completed Units

Units will be counted as a WxDEF unit if funds are spent in one of the ways listed above and become completed units in the WAP. Grantees must maintain an Average Cost Per Unit (ACPU) with WxDEF funding of \$10,000. The ACPU will be based on spending across Support, Deferral Reduction, Health & Safety, and Labor & Materials cost categories.

SECTION III: ELIGIBILITY GUIDELINES

To receive Preweatherization (WxDEF) funding, clients must be eligible for weatherization and have a weatherization application completed in the statewide database system. Dwellings receiving Preweatherization (WxDEF) funding must be Weatherized through the WAP and meet the requirements to be a DOE Formula, DOE BIL or LIHEAP completed units. Units **cannot** be fully weatherized as WxDEF only units.

For eligibility determinations under the WAP, please see CSPM 601 and 701.

SECTION IV: ALLOCATIONS AND PLAN INSTRUCTIONS

The WxDEF initial allocations are based on a formula using census data. \$25,000,000 will be available to eligible and participating grantees for distribution for the period January 1, 2024 through September 30, 2026.

Grantees shall prepare and submit Preweatherization WxDEF documents in accordance with the guidelines below.

Work/Service Plan – Complete the Service Plan template for the period of January 1, 2024 through September 30, 2026. An addendum to the service plan will be issued for FY25 (October 1, 2024 - September 30, 2025) and FY26 (October 1, 2025-September 30, 2026).

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Expenditure Plan - Complete the expenditure plan in the budget template following the allocation chart guidelines for the period January 1, 2024 through September 30, 2026. Subsequent budget adjustments and revisions may be issued for FY25 (October 1, 2024 - September 30, 2025) and FY26 (October 1, 2025-September 30, 2026).

The administrative expense limit for this program is 15% of the grantee's allocation. The admin maximum is indicated on the allocation chart. Admin expenses should align with DOE and LIHEAP.

If a CAA has received a notice of de-designation, they are not eligible for supplemental funding programs, including WxDEF. In this case, the funding for the service area of a CAA in process of de-designation will be administered in that service area by an alternate CAA or other entity to be determined by BCAEO.

BCAEO may reduce funding if grantees are on extensive corrective action plans including a TAP and/or QIP for the Weatherization Assistance Program or determine grantees ineligible for this funding if extensive corrective action plans do not demonstrate progress.

Grantees who are within the first 5 years of contracts with BCAEO will only be eligible for this funding as determined by BCAEO on a case-by-case basis.

SECTION V: REPORTING

Due to the importance of these funds, information must be entered in real time. Additionally, grantees must provide information on funds expended per BCAEO request. BCAEO will complete reporting on the following timeframe to federal partners. Grantees are required to submit information as outlined to allow for compliance with federal timeframes.

Federal Quarterly Project and Expenditure Report Timeline

Reporting Period	Grantee Report Due to BCAEO	Report Due Date to Treasury
January 1, 2024 – March 31, 2024	April 14, 2024	April 30, 2024
April 1, 2024 – June 30, 2024	July 14, 2024	July 31, 2024
July 1, 2024 – September 30, 2024	October 14, 2024	October 31, 2024
October 1, 2024 – December 31, 2024	January 14, 2025	January 31, 2025
January 1, 2025 – March 31, 2025	April 14, 2025	April 30, 2025
April 1, 2025 – June 30, 2025	July 14, 2025	July 31, 2025
July 1, 2025 – September 30, 2025	October 14, 2025	October 31, 2025
October 1, 2025 – December 31, 2025	January 14, 2026	January 31, 2026
January 1, 2026 – March 31, 2026	April 14, 2026	April 30, 2026
April 1, 2026 – June 30, 2026	July 14, 2026	July 31, 2026
July 1, 2026 – September 30, 2026	October 14, 2026	October 31, 2026

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Monthly Submission: The WxDEF reporting spreadsheet must be submitted by the 14th of the following month. Reporting on the spreadsheet must include all work billed on the SOE. Measures are reported when completed and billed (final) corresponding to the SOE. Each measure should be reported on the reporting spreadsheet once. Measure reporting for WXDEF may precede job closure. Refer to the reporting spreadsheet for instructions on completion and naming convention. The spreadsheet must be emailed to MDHHS-SOE-BCAEO@michigan.gov with the Grantee's Grant Manager copied.

WxDEF Reporting Spreadsheet:

At minimum, grantees must track and provide information as follows.

Outcome: Weatherization Jobs completed that received Preweatherization WxDEF funding.

- Jobs moved to final closeout.

Outcome: The primary outcome of the program is to reduce the number of deferrals in the Weatherization Assistance Program.

- Track and report the number of units that had deferral reduction work completed with SLFRF funds.
- Track and report by unit each deferral reduction measure completed that allowed homes to be weatherization ready.
- This outcome ties to funds reported on the SOE in the Deferral Reduction cost category.

Outcome: The project seeks to improve health and safety: Improved health and safety due to improvements within low-income homes (e.g. reduction or elimination of lead, radon, carbon monoxide and/or fire hazards or electrical issues, etc.).

- Track and report by unit each health and safety measure funded with SLFRF funds.
- This outcome ties to funds reported on the SOE in the H&S cost category.

Outcome: The project seeks to increase the energy efficiency of homes for low-income households evaluated by quantifiable improvement in energy efficiency levels as measured by reduced energy consumption or increased energy efficiency ratings.

- Track and report by unit each ECM as called for on the WAP scope of work with an SIR of 1.0 or greater funded with SLFRF funds. The associated SIR for these measures must be reported.
- Track and report by unit each WxDEF specific Energy Efficiency measure funded with SLFRF funds and the associated efficiency rating.
- This outcome ties to funds reported on the SOE in the Labor and Materials cost category.

Narrative Section: Grantees must submit narrative summary of the program as outlined in the reporting template. Grantees are encouraged to collect quality narrative stories. Narratives are not required for each client receiving services.

Grantees must follow the instructions in the database system guides as applicable. Deferral Reduction work must also be reported in the empowOR Deferral Reduction Assessment. Expenditures must be reported in empowOR.

SECTION VI: FUNDING

Reallocations may take place at any time depending on the needs for a region, the capacity of the grantee, and overall program demand. BCAEO reserves the right to re-allocate funds amongst participating grantees to ensure the maximum amount of assistance is provided statewide.

Attachment 1: CSPM 2100

User Defined Measure Guide –WxDEF specific energy efficiency measures

The following guide outlines how to enter WxDEF Miscellaneous Energy Efficiency Measures. The **prefix EE** will be used for this cost category.

In FACSPRO, LDR was used starting Jan 1, 2024 for this purpose. The use of 'LDR' was temporary.

For entry, the formation *EE – Fuel Type Measure, Efficiency* should be used. Fuel Type abbreviations are found below. The measure code and efficiency format follow. Full examples are outlined as well. The entry should reflect the specifics of the measure being installed.

This prefix can be used for WXDEF funds. This is not an allowable measure under DOE Formula/BIL/LIHEAP.

EE – Fuel Type Measure, Efficiency

Fuel Type Code:

- NG = Natural Gas
- LGP = Propane
- ELE = Electric

Measure Code & Efficiency:

- Furnace, ### AFUE
- Boiler, ### AFUE
- DHW Storage, ## UEF
- DHW Tankless, ## UEF
- DHW HP, ## UEF
- AC, ## SEER
- Freezer, ES

Examples

- 1) Forced Air Furnace
EE – NG Furnace, 95% AFUE
EE – NG Furnace, 96% AFUE
- 2) Boiler
EE – NG Boiler, 95% AFUE
EE - NG Boiler, 90% AFUE
- 3) Water Heaters
EE – NG DHW Storage, .86 UEF
EE – LGP DHW Storage, .86 UEF
EE – NG DHW Tankless, .95 UEF
EE – LGP DHW Tankless, .95 UEF
EE – ELE DHW HP, 3.3 UEF ES
- 4) Air Conditioner
EE – ELE AC Replacement, 15 SEER
- 5) Freezer
EE – ELE Freezer, ES