

# **Progress Report on the Expenditure of American Recovery and Reinvestment Act Energy-Related Funds**

## **Report to the Minnesota State Legislature**

**September 1, 2009**

**Office of Energy Security  
Minnesota Department of Commerce**

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Table 1: Short Description of ARRA Related Assistance Provided by OES Staff, April 2009-August 2009

## I. INTRODUCTION

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA). In May 2009 the Minnesota Legislature passed, and Governor Pawlenty signed, S.F. 657, legislation that designates Minnesota's share of the ARRA energy dollars into various programs.

This report is the first required by the Laws of Minnesota for 2009, Chapter 138. Article 5, Sec. 2., **ACCOUNTABILITY AND TRANSPARENCY REPORTING**, requires that:

The commissioner, after compiling information supplied by the commissioners of administration, education, and employment and economic development, and the Office of Higher Education, shall report on the progress of the programs funded by this act to the house of representatives and senate committees with jurisdiction over energy finance and workforce development policy by September 1, 2009, January 15, 2010, April 1, 2010, and September 1, 2010. The report must include a complete accounting of all federal stimulus money spent on the programs funded to the extent allowable by federal law, including, but not limited to:

(1) the specific projects funded, including the building owner and project manager, and, for nonresidential projects only, the project location;

(2) for weatherization projects, the number of units weatherized, including number of rental units weatherized, energy usage information, income data, and type, cost, and funding source of the weatherization measure installed;

(3) the number of jobs retained or created by each project, including data on hiring from communities experiencing disproportionately high rates of unemployment, including, but not limited to, low-income, rural, tribal communities, and communities of color;

(4) the total calculated and actual energy savings for each project;

(5) the remaining balances in each stimulus account;

(6) the non-stimulus money leveraged by stimulus money for each project;

(7) the training courses provided, including the location and provider of courses offered, the funding source for each training course, and the total number of trainees; and

(8) compliance with state prevailing wage, veterans, and disadvantaged business enterprise requirements.

The reports must be made available to the public on the Office of Energy Security Web site.

While there has been much preparation since February on the various programs detailed in Chapter 138, the Office of Energy Security (OES) has encountered numerous and significant barriers in moving forward with program activities. Those barriers--the largest of which involve the resolution of Davis-Bacon wage classifications and the interpretation of the National Environmental Policy Act (NEPA) as it pertains to the implementation of commercial/industrial and renewable energy projects--will be outlined in more detail in a separate section.

This report will summarize the work that has been done to date. Subsequent reports, once actual data are available, will contain additional detail, as outlined above. The first reporting date required by the federal government is October 10, 2009; we will forward that report to the Minnesota Legislature to supplement the information contained in this report. Please note that the federal report is due 10 days after the close of the quarter. Data in that report may also be incomplete, as far as the most recent activity is concerned.

## **II. OES PREPARATIONS—SPACE, STAFFING, REPORTING**

In preparation for the expenditure of ARRA funds, OES has increased capacity, in terms of both in space and staff. OES leased an additional 2,500 square feet on the second floor of the Golden Rule Building to accommodate additional weatherization monitoring staff as well as additional grants staff that will be needed to effectively oversee the spending of ARRA funds. This additional space became available on August 1, 2009.

The majority of staff added will be for additional oversight of the Weatherization Assistance Program. Seven field monitors, as well as three fiscal monitors, will be added to the existing staff of three. Four of the seven field monitors are hired and are now undergoing additional training. Three field monitor positions are still open and we are considering the hiring of staff laid off by the Construction Codes Division at the Minnesota Department of Labor and Industry as an approach to fill those positions.

For the past month, a Grants Specialist Sr. has been on staff and a Training and Workforce Development Coordinator started work in mid-August. Hiring for a compliance officer, an additional Grants Specialist, a Utility Coordinator, writer and web designer, and a Management Analyst with expertise in databases are in various stages of completion.

OES has been working closely with Minnesota Management and Budget (MMB) to align our reporting with that of other state agencies. OES also is working closely with USDOE and the federal Office of Management and Budget to ensure that all reporting requirements comply with the most recent relevant decisions. To date, reporting requirements are not yet fully determined.

### **III. FUNDING**

Since February, OES has submitted applications and has received funding for multiple programs, including the Weatherization Assistance Program (both regular formula and ARRA), the State Energy Program (both regular formula and ARRA), the Energy Efficiency and Conservation Block Grant Program, the Energy Efficiency Appliance Rebate Program, Energy Assurance Planning, and the Save Energy Now grant. All of these awards, with the exception of the Save Energy Now grant, are formula grants from the U.S. Department of Energy (USDOE).

The Legislature appropriated funds through Chapter 138 for the programs funded through ARRA; other funds will be appropriated as needed through the Legislative Advisory Commission. Specific information follows for each of those programs:

#### **Regular Formula Funding**

OES's State Energy Office receives program funds each year ("regular formula funding") for ongoing energy efficiency and renewable energy activities.

##### **State Energy Program - \$573,000 (FY 2010)**

- Funds support the promotion of renewable energy and energy efficiency in all buildings through public outreach activities and targeted technical assistance
- Submitted application on: May 15, 2009
- Received Notice of Financial Assistance Award (NFAA) on: June 29, 2009 (100% of program dollars awarded)
- This is the third year of a five-year award
- Federal funding for this program has been reduced the last several years. Last year Minnesota received \$716,000.

##### **Weatherization Assistance Program (\$15,972,943)**

- Funds support the installation of energy conservation measures in eligible low-income homes. A total of 32 local service providers cover the entire state. Unit average (set by USDOE) is \$6,500.
- Held public hearing on: April 27, 2009
- Submitted application on: May 1, 2009
- Received NFAA on: July 1, 2009 (provided \$15,972,943 – 100% of FY10 award)
- This is the first year of a five-year award.
- The allocation this year includes not only the annual appropriation but a supplemental appropriation from Congress dating from the autumn of 2008. Typically, Minnesota receives closer to \$9 million each year for weatherization.

#### **ARRA Funding**

Following are descriptions of both ARRA formula and competitive grant funding.

##### **State Energy Program – \$54,172,000**

- Funds support public buildings retrofits, residential energy financing, renewable energy programs, energy education, training, data collecting, emerging technologies, and more.

- Submitted initial application on: March 23, 2009
- Submitted comprehensive application on: May 12, 2009
- Received initial NFAA on: April 20, 2009 (provided \$5,417,200 – 10% of award)
- Received second NFAA on: June 24, 2009 (provided \$21,668,800 – 40% of award; changed Terms and Conditions)

**Weatherization Assistance Program – \$131,937,411**

- Funds support the installation of energy conservation measures in eligible low-income homes. A total of 32 local service providers cover the entire state. Unit average (set by USDOE) is \$6,500.
- Submitted initial application on: March 20, 2009
- Held public hearing on: April 27, 2009
- Submitted comprehensive application on: May 12, 2009
- Received first NFAA on: March 26, 2009 (provided \$13,193,741 – 10% of award)
- Received second NFAA on April 10, 2009 (changed Terms and Conditions, corrected USDOE clerical errors)
- Received third NFAA on: July 2, 2009 (provided \$52,774,964 – 40% of award)

**Energy Efficiency and Conservation Block Grant (EECBG) – \$10,644,100**

- Funds will support three activities: mandatory EECBG sub-grants, energy efficiency improvement sub-grants, and public outreach/program administration.
- Submitted application on: June 25, 2009
- Received NFAA on: not yet received

**Save Energy Now – Competitive Grant, Request for \$875,568**

**Includes partial (\$350,000) ARRA FUNDING**

- Funds will support a full package of industrial energy efficiency resources to assist MN business and industry to implement energy efficient technologies and practices in order to realize energy savings.
- Submitted application on: October 16, 2008
- Notice application was not among those initially selected: February 25, 2009
- Notice application would be funded with ARRA funds: June 11, 2009
- Revised budget forms submitted on: July 30, 2009
- Revised budget forms submitted on: August 18, 2009
- Received NFAA on: not yet received

**Energy Assurance Planning – \$678,986**

- Funds will support development of greater capacity within OES and other agencies to 1) strengthen and expand State and local government energy assurance planning and resiliency efforts, 2) create jobs and 3) build in-house State and local government energy assurance expertise.
- Submitted application on: July 30, 2009
- Received NFAA on: August 17, 2009 (received \$678,986 – 100% of award)

### **State Energy Efficient Appliance Rebate Program – \$5,009,000**

- Funds will establish and/or supplement established Energy Star appliance rebate programs.
- Submitted initial application on: August 14, 2009
- Comprehensive application due on or before: October 15, 2009
- Received NFAA on: August 25, 2009 (received \$500,900 – 10% of award)

## **IV. BARRIERS TO IMPLEMENTATION**

### **Davis Bacon Act (DBA)**

Prevailing wage requirements of the Davis-Bacon Act and Davis-Bacon Related Acts (DBRA) are applicable to construction contracts for work in excess of \$2,000 funded in whole or in part with ARRA funds. A dearth of federal guidance on DBRA compliance has been a significant barrier to implementation of WAP and SEP residential programs.

Historically, WAP has been statutorily exempt from DBRA. However, Section 1606 of ARRA applies prevailing wage requirements “notwithstanding any other provision of law.” Nationally, DBRA has impeded the performance of ARRA-funded weatherization work, as the U.S. Department of Labor (USDOL) was unable to determine an appropriate existing job classification for weatherization workers. After protracted discussions with USDOE, USDOL decided to create a weatherization worker classification, and initiated a nationwide wage survey on which to base wage determinations for that job class. Wage determinations have been issued for 24 states to date; Minnesota has not received its determinations. As USDOL has ruled that DBRA does not apply to energy auditors, Minnesota service providers have ramped up auditing activities.

DBRA compliance also presents a significant barrier to implementation of SEP-funded residential energy-efficiency and renewable energy programs authorized under Chapter 138 which are intended to be coordinated with existing programs that provide direct financial incentives to homeowners. However, USDOE has advised OES that a homeowner who receives an ARRA-funded grant or reserved rebate would have to comply with prevailing wage requirements. It seems unlikely that many homeowners would willingly assume such a burden or a potential legal liability for failure to properly enforce prevailing wage requirements. OES is working with its program partners to craft program structures that provide unreserved rebates, which may not trigger prevailing wage requirements, but it is unclear whether such an approach will be attractive to consumers. OES is also preparing a request to USDOL for a limited waiver of prevailing wage compliance requirements for homeowners who receive financial incentives to make improvements on their principal residences.

### **National Environmental Policy Act (NEPA)**

NEPA requires USDOE to assess the potential environmental impact of activities financed in whole or in part with federal funds. Under 10CFR Part 1021, USDOE may determine that some broad categories of activities, by their nature, will likely not have an adverse environmental impact and do not require review (a categorical exclusion.) An activity that is not categorically excluded cannot proceed without further review by USDOE to determine whether an

Environmental Assessment (EA) or Environmental Impact Statement (EIS) is warranted. USDOE has cautioned the states that activities that require an EA or EIS could be significantly delayed.

In approving Minnesota's SEP plan, USDOE categorically excluded program administration, residential energy efficiency programs, utility coordination and training and workforce development activities. USDOE prohibited implementation of renewable energy programs, commercial/industrial programs, and public building retrofit programs pending submission of additional information it deemed necessary to make NEPA determinations.

OES has submitted information on Government Building Energy-Efficiency Retrofits and Commercial/Industrial Energy-Efficiency Grants and Shared Savings Agreements that should permit USDOE to grant categorical exclusions for those activities, and is working with USDOE to expedite completion of its other NEPA determinations. In response to a request from OES, USDOE issued draft guidance on August 17<sup>th</sup> providing size limits for various technologies that likely will permit USDOE to grant categorical exclusions for those activities. Those limits include:

- Installation of small renewable energy sources located on existing buildings or existing facilities.
  - Photovoltaics – appropriately sized units on existing rooftops and parking shade structures; or 60kW systems or smaller installed on the ground within the boundaries of an existing facility.
  - Wind turbines – 20 kW or smaller
  - Solar thermal hot water – appropriately sized units for residences or small commercial buildings.
- Ground-source Heat Pumps – 10 tons of capacity or smaller
- Geothermal power plants – 300 kW or smaller (factors such as open or closed loop and fluid type play a role)
- Combined heat and power systems – systems are sized to boilers appropriate to the buildings in which they are located

OES has drafted program guidelines and requested categorical exclusions for activities in these areas that, with one exception, conform to these limits. OES has requested categorical exclusion for wind turbines under 40 kW, based on our assessment that there is no significant difference in environmental characteristics of 20 and 40 kW turbines. We have also requested authorization to solicit and short-list proposals for Emerging Renewable Energy Industries grants. OES will then work with USDOE to determine the appropriate levels of environmental review for the selected proposals. In addition, we are assessing potential program structures for large-scale renewable and ground-source heat pump grants.

## V. PROGRAM UPDATES

### A. ARTICLE 2 – ENERGY EFFICIENCY

#### **Weatherization Assistance Program**

OES acted upon several issues highlighted in the Weatherization section of Chapter 138.

OES has been working with the 32 service providers and the Minnesota Housing Finance Agency (MHFA) to increase the number of rental units weatherized by creating closer partnerships, through MHFA, with multifamily building owners.

A letter requesting a waiver from USDOE to use WAP funds to weatherize houses that are part of the Neighborhood Stabilization Program was sent to USDOE.

The American Recovery and Reinvestment Act of 2009 changed Section 412[7] of the Energy Conservation and Production Act (42 U.S.C. 6862(7)) to allow the income level of eligible households to be raised to 200% of Federal Poverty Income Guidelines (FPIG). The Minnesota Legislature also required OES to increase the income eligibility limits for participants to the highest level allowed under federal law was addressed. OES completed this task and, as of October 1, all households at or below 200% FPIG will be eligible for the Minnesota Weatherization Assistance Program.

The Davis Bacon Act (DBA) is applicable to contracts in excess of \$2,000 associated with ARRA funds. USDOE notified states that WAP falls under DBA rules. Weatherization Program Notice 09-1B, “Grant Guidance to Administer the American Recovery and Reinvestment Act”, includes the following provision:

Prevailing Wages: All laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assistance in whole or in part by and through the Federal government pursuant to the Recovery Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor.

OES has prepared for this change by attending meetings at the state level and at national conferences and by working with Minnesota Community Action Partnership to prepare Weatherization Service Providers. Training for federal reporting of the prevailing wage (Davis Bacon Act) is critical to the success of the program. OES encouraged Weatherization Service Providers to respond to any requests that might be needed to assist the U.S. Department of Labor (USDOL). As of late August, the Secretary of Labor had not released county-by-county prevailing wages for Minnesota, although 34 other states have now received wage determinations. USDOL appears to be expediting this wage determination process and we hope to have the information shortly.

Most local service providers have been hesitant to start working on ARRA-related weatherization projects due to the high level of uncertainty regarding Davis-Bacon issues. While the expenditure of ARRA funds has been slow because of the necessity to resolve DBA issues, weatherization ramp up activities continue in Minnesota, using both ARRA and the regular formula grant WAP funding.

### **Residential Energy Efficiency Programs**

Chapter 138 requires OES to coordinate with MHFA to use the stimulus funds in conjunction with existing MHFA financing programs. It also allows other entities to develop additional programs that may include loans, grants and rebates.

OES has been working closely not only with MHFA but also with the Builders Association of Minnesota (BAM), National Association of the Remodeling Industry (NARI), and Minnesota GreenStar to develop programs that will reach all market segments and provide sufficient incentives to encourage homeowners to make energy efficiency improvements to their homes. The collaboration with BAM, NARI, and Minnesota GreenStar is moving ahead with a target rollout date between September 15<sup>th</sup> and October 1<sup>st</sup>.

Significant prevailing wage barriers still exist regarding how individuals--who use ARRA funds to contract for construction, alterations or repairs to their homes costing more than \$2,000—can apply DBA. As stated above in the Barriers section, OES has submitted a waiver to USDOL regarding DBA so that the residential energy efficiency programs, especially those with MHFA, can proceed.

### **Innovative Energy Residential Efficiency Program / Small City Energy Efficiency Grant**

OES has been in communication with Minnesota Power to determine the cities that meet the qualifications listed in Chapter 138. Duluth and Park Rapids have been determined as the two cities that best meet the specifications. OES staff met with the organization Green Park Rapids to advise them on a potential scope of work. OES staff has already received a draft scope of work from Duluth staff. Parties plan to meet in mid-September to further refine these efforts.

### **Outreach Activities to Increase Residential Participation in Energy Efficiency Activities**

Chapter 138 requires OES to have awarded a grant by September 1, 2009, to use stimulus funds to deliver residential energy conservation outreach services under this act. OES did not meet that deadline, as we continue to await sufficient information from USDOE and USDOL on DBA and NEPA to guide outreach efforts. In turn, the residential energy efficiency programs, as well as residential renewable energy programs, have not started because of uncertainty regarding prevailing wage requirements and NEPA requirements. As soon as these barriers are resolved, the RFP for outreach services will be issued.

### **Energy Efficiency and Conservation Block Grants to Local Governments**

OES submitted our Energy Efficiency Conservation Block Grant Program (EECBG) Plan to USDOE on June 25, 2009. The plan has three basic projects: mandatory sub-grants, energy-efficiency improvement sub-grants, and administration and coordination. Although the plan has not been approved, OES has undertaken the following planning and activities to advance each sub-project:

### **1. Mandatory sub-grants**

OES will issue competitive grants to distribute 60% of the state formula allocation (\$6,386,460) as required by federal law and Laws of Minnesota 2009, Ch 138, Art. 2, Sec. 6. The Plan anticipates OES issuing a Request for Proposals (RFP) in late September. Applications will be ranked on multiple criteria, but, energy saved, jobs created or retained, and carbon emission reduction per grant dollar requested will be highly valued metrics. A tentative list of eligible activities for the grants has been posted on the OES website. OES plans to allocate funds based on population size and, to the extent that eligible applications are sufficient to utilize all funds allocated to a class are submitted, the reserved amount will be awarded to applicants within that class. Funds not reserved, plus any reserved funds for which there are insufficient eligible applications, will be awarded to the highest ranking applicants without regard to size class.

### **2. Local Government and School District Renovations**

#### **Energy-Efficiency Improvement Sub-grants**

Staff is working on the details to make between \$4 and \$6 million available through a competitive grant process. Cities, counties, townships, and school districts would be eligible for energy improvements as described in Ch 138, Article 2, Sec. 7. A certain percentage of funds would be set aside for each group of applicant. Grants would be made available for cost-effective energy efficient projects that are ready for immediate implementation. Projects will be evaluated and selected based on energy-savings per grant dollar, jobs created and retained, and geographic distribution. Up to 25% of the cost of the project will be funded; OES is still working to determine an upper limit per grant.

The grants are intended to supplement other financing mechanisms the applicant must have in place, such as tax exempt leases, or performance contracts. Eligible projects include lighting retrofits (both interior and exterior), existing building commissioning, building envelope improvements, and HVAC equipment and control upgrades. Because one of the main purposes of the funds used for this program is to create and retain jobs, improvements for which acquisition or installation contracts have been executed before application to this program has been made will not be eligible for grant funding.

OES expects to issue an RFP in mid-September for the program. Because applicants will have 30–40 days to submit a proposal, it is suggested that eligible entities begin to gather energy saving estimates and the number of labor hours expected for the projects being considered, as this information will be needed to apply for the grants. Also, because the State of Minnesota's B3 Benchmarking tool will be used to evaluate proposals, it is important that applicants have information for their buildings in the data base.

### **3. EECBG Coordination, Outreach and Administration**

In addition to focusing on developing criteria for the projects discussed above, OES staff provided ongoing technical assistance to the 23 cities and 10 counties that were eligible to apply directly to USDOE for EECBG funds. Staff gave a presentation at the League of Minnesota Cities to help applicants learn about the process of applying to USDOE grant

funding and to discuss their project ideas. One-on-one conversations followed with applicants on an as-needed basis to help them prepare and submit their applications. All Minnesota formula-eligible cities and counties met the June 25 filing deadline.

## **Local and State Government Building Renovations**

### **Public Building Enhanced Energy Efficiency Program (PBEEEP)**

As state and local governments seek to contain operational costs, create jobs, reduce emissions, and save energy through energy-related infrastructure improvements and initiatives, the Public Buildings Enhanced Energy Efficiency Program (PBEEEP) will provide assistance through an easy access approach that combines expert technical services and financing. The program has distinct sub projects based on the target audience: state of Minnesota government and local governments and will target cost-effective energy efficiency building improvements via retrofit or retro-commissioning opportunities and will offer private capital at interest rates comparable to rates on tax-exempt general obligation bonds.

The Center of Energy and Environment (CEE) has been engaged by the State of Minnesota, Department of Administration, to develop and administer PBEEEP for state government buildings and will also administer the local government component for the Office of Energy Security (OES). Key deliverables for the development phase of the program include providing technical standards and guidelines for participating consultants, and providing energy engineering services in addition to administrative structures, tools, and documents to support roll out and scale up efforts.

#### **1. Local Government Component**

OES recently contracted with CEE to be the primary contractor for the local government component of PBEEEP. OES is currently working with CEE to review and modify, if necessary, the technical standards that were developed for state government buildings. The intent is to use the four-phase process described below?.

Any project whose purpose is to improve the efficiency of energy-consuming equipment or equipment that affects energy consumption will be eligible for the program. The primary financing instrument for the program is expected to be lease-purchase financing. The program will have established contracts with lending agencies to facilitate the lease-purchase agreements. OES and CEE expect to have the development phase of the local government component completed in enough detail to launch a pilot of the program in early 2010.

#### **2. State Government Component**

The development phase is well underway; projects conducted within the PBEEEP framework will follow a four-phase process:

1. Application and Screening
2. Investigation
3. Implementation
4. Measurement & Verification

A website for the program has been established (see [www.PBEEEP.org](http://www.PBEEEP.org)); the technical standards for screening and investigation have been completed and are available on the site. On August 6, 2009, a webinar was held to introduce PBEEEP to state agencies and the Minnesota State Colleges and Universities System. The application process is underway and screening of proposed facilities is anticipated to begin in September.

Federal stimulus funds will be used to provide up to a twenty-five percent (25%) cost share, including funding the costs to conduct screening, investigations and to design measures determined to be cost-effective. The remaining share (75%) of the project cost will be funded through tax-exempt lease purchase financing. The structure of the financing for the program has not been resolved between the departments of Administration and MMB.

### **Energy Technology Transfer / National Energy Efficiency Center**

No activity on this grant at this time. There has not yet been a suitable USDOE solicitation to apply for funds for a national energy efficiency center.

## ***B. ARTICLE 3 – RENEWABLE ENERGY***

### **Renewable Electric Generation and Geothermal Facility Rebates**

OES has performed the following activities related to the development of Renewable Electric Generation and Geothermal Facility Rebates:

- Reviewed other state and utility incentive programs for small wind and geothermal systems to establish precedent for guidelines.
- Held discussions with staff attorney to identify applicability of legislation to various technologies and to discuss legal aspects of guidelines.
- Attended several meetings with state agencies, including the Department of Natural Resources, Department of Health, Pollution Control Agency, and Department of Labor and Industry, to discuss state permit and code requirements for geothermal systems and environmental impacts of potential guidelines for rebates.
- Attended one meeting with Department of Natural Resources to discuss state and federal permit requirements for hydroelectric systems.
- Participated in discussions with USDOE to identify NEPA guidelines for each applicable technology.
- Participated in discussions with USDOL on the applicability of the Davis-Bacon Act.

This program will be able to begin once OES receives final guidance on NEPA exclusions or receives appropriate forms for individual project application.

### **Solar Rebate Program / Solar Cities Program**

OES is working with the USDOE to resolve constraints for solar projects relating to NEPA which requires federal agencies to consider the environmental impacts of proposed federal projects which could significantly affect the environment. OES is seeking a categorical waiver for building-mounted solar installations and small scale ground-mounted installations. Also, OES

is working with the USDOL to ensure compliance with the Davis-Bacon Act requirements. OES is prepared to launch the Solar Hot Water and Solar Air Heat programs upon resolving these issues.

The Minnesota Solar Electric Rebate Program re-opened in July with \$400,000 appropriated from the Xcel Energy Renewable Development Fund. Approximately \$50,000 is still available from this appropriation. OES plans to continue the program with a portion of the \$3 million for solar programs appropriated in Chapter 138.

OES has established an email distribution list to communicate with interested parties about the status of the proposed solar programs.

### **School District and Local Government Renewable Energy Grant Programs**

OES has performed the following activities in the development of a School District and Local Government Renewable Energy Grant Program:

- Reviewed other state and utility incentive programs for small wind and geothermal systems to establish precedent for guidelines.
- Held discussions with staff attorney to discuss legal aspects of guidelines.
- Attended several meetings with state agencies, including the Department of Natural Resources, Department of Health, Pollution Control Agency, and Department of Labor and Industry, to discuss state permit and code requirements for geothermal systems and environmental impacts of potential guidelines for grants.
- Participated in discussions with USDOE to identify NEPA guidelines for each applicable technology.
- Participated in discussions with USDOL on the applicability of the Davis-Bacon Act.

This program will be able to begin once OES receives final guidance on NEPA exclusions or receives appropriate forms for individual project application.

### **Emerging Renewable Energy Industries Grant Program**

Minnesota Laws 2009, Chapter 138, Article 3, Section 6, directs \$2,000,000 to the “Emerging Renewable Energy Industrial Grant Program.” As discussed in the Barriers section, this grant program, and individual grants awarded by OES under this solicitation, must go through a NEPA interpretation process prior to disbursements to grantees. Draft language for the RFP is currently in review by OES to best assure that projects which may be selected for funding under this solicitation will fall within parameters established by federal law. Provided DOE gives appropriate NEPA guidance, OES plans to publish notice of the solicitation in late September.

## ***C. ARTICLE 4 – COMMERCIAL AND INDUSTRIAL SECTOR ENERGY PROJECTS***

### **Grants to Commercial and Industrial Facilities**

The draft scope of work has been received from the Saint Paul Port Authority; barring NEPA issues, the contract will be executed by October 1, 2009. In addition, the Center for Energy and the Environment (CEE) submitted an alternative filing to include the Saint Paul Port Authority’s *Trillion BTU Program* as a part of Xcel Energy’s 2009 and 2010-2012 Conservation

Improvement Program offerings. The Program will leverage expected American Recovery and Reinvestment Act (ARRA) funding awarded to the St. Paul Port Authority (SPPA), other local economic development agencies (EDA) and municipalities in Xcel Energy's electric and gas service territories to create a revolving loan fund, expand existing EDA loan programs, and provide technical assistance to prospective participating businesses. A second component of the program consists of integrating energy efficiency into the Lean Manufacturing framework (a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination) and developing recommendations for utility program integration.

CEE will administer the Program in partnership with the SPPA and Xcel. Other partners include the Minnesota Technical Assistance Program (MnTAP), which will provide technical expertise in facility benchmarking and energy analysis, and Enterprise Minnesota, which will coordinate development of the Lean Manufacturing 2.0 Pilot. SPPA will manage the revolving loan fund.

### **Energy Programs in Commercial and Industrial Buildings**

OES is awaiting NEPA determinations so that the RFP that is under development will meet USDOE requirements when issued. As discussed above, OES has submitted requests for specific NEPA guidance.

## ***D. ARTICLE 5 – MISCELLANEOUS***

### **Training and Workforce Development**

The Office of Energy Security has performed the following activities in the development of a plan and procedures for training and workforce development of energy professionals. We hosted several meetings with DEED, MnSCU, University of MN – Institute of Technology and industry/training stakeholders to identify existing resources and areas that need additional training resources as well as held conversations with low-income/disadvantaged worker training providers. OES has also met with the Construction Codes Division staff to ascertain energy code compliance needs. Currently, DEED (and other stakeholders, including OES and MNSCU) is working on a USDOL grant solicitation (totaling at least \$2 million and up to \$6 million) that may also cover part of the plan and procedures that are required in Chapter 138.

We hired a Training Coordinator to facilitate the planning and implementation of training and workforce development. We developed and maintained on-line a green jobs training schedule in cooperation with MnSCU and began the process to expand a database to include certification programs, as well as additional training resources available for students and professionals.

### **Reporting**

OES is working in close coordination with MMB, the U.S. Office of Management and Budget (OMB), and USDOE to ensure that all appropriate reporting measures are in place and all appropriate aspects are measured and reported on.

As discussed in the introduction, the first federal report is due October 10, 2009. Reporting ten days past the end of the quarter is a new federal requirement; the normal time frame has been 30

days after the end of the quarter. Not only will OES and the state need to assemble its response quickly, but close communication with all subgrantees will be essential since they will be required to report within 5 days of the end of the quarter.

### **Competitive Energy Activities / Other Inquiries Handled by OES Staff** **April 2009 – August 2009**

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OES staff assisted over 125 clients in understanding guidelines, parameters and funding opportunities related to the American Recover and Reinvestment Act (ARRA) during the April 2009 through August 2009 period. This report reflects data from OES client logs that include records of clients who required more assistance than a simple referral could satisfy. The assistance provided by OES staff to ARRA-related clients can be broken down into four main categories. The following provides a description of those categories and includes the portion of inquiries within each:

- 57% – Assistance in understanding of the opportunities and processes of ARRA programs for clients seeking building efficiency funding.
- 15% – Assistance with the preparation, applications, signing up or submission to the federal grant opportunities process or other kinds of technical assistance.
- 2% – Letters of support for Minnesota applications for federal grants
- 31% – Business and project development and partnerships – support for development of energy projects and partnership assistance to companies that build them.

The 125 responses that OES provided to clients who were inquiring about ARRA opportunities include:

- 67 – energy efficiency
- 15 – energy efficiency and renewable energy
- 36 – renewable energy
- 7 – misc. including 3 smart grid

Almost half the inquiries came from other government entities, while 50% came from for-profit businesses or non-private organizations. See Table 1 for a short description of assistance provided.

In addition to the direct assistance that OES provides, OES also compiles lists of current funding opportunities in the fields of energy and environment that it pro-actively sends to a Listserv of 627 Minnesotans. The Listserv has grown slowly from a start of 56 participants eight years ago to its present size. Since ARRA was passed, interest in funding had grown significantly, with a full 134 of the members on the Listserv requesting participation just in the last 5 months, since the ARRA funding announcement.

The OES also received 4,898 web hits from individual visitors from January 2009 through August 2009. Of these web visits:

- 42% or 2,093 linked to "Funding" section
- 31% or 1,547 linked to "Economic Stimulus" section
- 25% or 1,258 linked to "Grants" Section

## **VI. OTHER INFORMATION**

Following are descriptions of the other two formula grants that arrived after the Minnesota legislative session had ended.

### **Enhancing Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency**

The OES is the primary entity within the state of Minnesota responsible for the development of a State Energy Emergency or Energy Assurance Plan. OES will lead the execution of a project funded under the ARRA that seeks to enhance the state's overall capabilities with respect to energy assurance and energy system resiliency, and will engage a number of state agencies in the refinement of the state's existing plans and procedures. The goals of the State Enhanced Energy Assurance Capabilities Project will be to develop greater capacity within the OES and other agencies to 1) strengthen and expand state and local government energy assurance planning and resiliency efforts by incorporating response actions for new energy portfolios and Smart Grid applications; 2) create jobs, and 3) build in-house state and local government energy assurance expertise.

These goals will be achieved by hiring new personnel to lead project activities and coordinate the involvement of other state agencies and entities; hosting workgroups and conducting individual state agency and energy stakeholder interviews to engage, inform and train project partners; revising the state's existing Energy Assurance plan to incorporate feedback from participating state agencies and stakeholders; establishing an ongoing state agency workgroup focused on energy assurance efforts; incorporating cyber security measures and procedures for protecting state utility smart grid investments; enhancing the energy emergency response procedures that are currently in place in Minnesota Rules; providing multiple energy emergency training sessions for both state agencies and local emergency response professionals; and conducting a minimum of two energy emergency exercises that fully test the state Energy Assurance plan within the state and regionally.

The OES will work closely with the Minnesota Department of Public Safety's Division of Homeland Security and Emergency Management (HSEM) and other state agencies through the state's existing Emergency Planning and Response Committee and leverage the existing training networks HSEM has in place for general emergency response efforts. In addition, the OES will coordinate a group of state agency representatives to have ongoing discussions about energy emergency preparedness and energy system resiliency.

### **State Energy Efficient Appliance Rebate Program**

Nationwide, ARRA provides \$296 million to implement Section 124 of the Energy Policy Act of 2005, establishing USDOE support for States' rebate or bounty programs for residential ENERGY STAR® appliance products (those that represent improvements in efficiency compared to the majority of products in the market). OES is eligible to receive approximately \$5 million in formula-based funding to establish or supplement established ENERGY STAR appliance rebate/bounty programs.

The objectives of the Appliance Rebate/Bounty Program are to:

- Save energy by encouraging appliance replacement through consumer rebates
- Make rebates available to consumers
- Enhance existing rebate programs by leveraging ENERGY STAR national partner relationships
- Establish local program infrastructure
- Keep administrative costs low while adhering to monitoring and evaluation requirements
- Promote State and national tracking and accountability
- Use existing ENERGY STAR consumer education and outreach materials

USDOE recommends that States' programs include those residential ENERGY STAR appliances that offer the greatest potential energy savings and that are commonly included in existing utility or state consumer rebate programs.

More specifically, USDOE recommends that States select from among the following residential ENERGY STAR qualified appliance categories:

- Central air conditioners
- Clothes washers
- Dishwashers
- Freezers
- Furnaces (oil and gas)
- Heat pumps (air source and geothermal)
- Refrigerators
- Room air conditioners
- Water heaters

The OES submitted its initial application to USDOE on Thursday, August 14, 2009, and will submit its comprehensive application by October 15, 2009. The comprehensive application will be posted on the OES website ([www.energy.mn.gov](http://www.energy.mn.gov)) once it has been submitted to USDOE. OES has already held multiple meetings with stakeholders, including utilities and members of the Minnesota Retailers Association.

**Table 1: Short Description of ARRA Related Assistance Provide by OES Staff  
April 2009 – August 2009**

- ARRA funds for biomass CHP project
- EECBG opportunities, general ARRA Q&A
- Stimulus funding programs and release dates
- Use of stimulus funds for industrial EE project
- Question about how product could qualify for stimulus funding, specifically for public works lighting improvements
- EECBG funding to replace well water cooling system at shopping center
- ARRA funding for government buildings
- Funding for public buildings efficiency projects
- EECBG opportunities for small cities
- Historic church that need energy efficiency upgrades
- Funding for efficiency in hospitals and clinic buildings
- Green Building Operations Management Training - please list in green job training opportunities document
- Assistance with EECBG
- EECBG Eligibility – geo-source heat pump system
- Stimulus funds for Geo-source heat system
- EECBG-audit requirement and how will program be run
- EECBG-program to access to assist customers
- EECBG competitive funding for LED traffic lights throughout state
- EECBG for public school efficiency
- ARRA HUD funding for green construction projects
- Rebate funding details
- Rebate funding details
- EECBG non-formula funding activities update
- Remodel of NE YMCA building
- Funding for geo-source heating system and solar for 52,000 bldg
- ARRA for patented magnetic motor technology
- ARRA or Clean Cities funding for development of LNG heavy duty vehicle technology
- Funding for plasma energy technology that uses MSW feedstock
- ARRA or EECBG funding for solar rebates
- Funding opportunities for renewable energy integration in public schools
- Funding for more research and development of the Coleraine Lab gasifier
- Seeking funding opportunities for wind installation at a MN school district building
- Rebate funding details and upcoming RFPs
- Rebate funding details and upcoming RFPs
- Rebate funding details
- Rebate funding details and upcoming RFPs
- Funding available for efficiency at manufacturing plants
- Funding for Arcadian Communication Network demonstration
- EECBG EECS and project summaries

- Questions about EECBG 60% complete process, who is eligible, etc.
- EECBG complete funding questions
- Helped explain EECBG EECS, reviewed draft, made suggestions.
- Availability of grants for Schools - explained MN programs School could be eligible for
- Stimulus funding for city projects
- Eligibility for commercial or industrial EE improvements
- Projects they are working on that may qualify for stimulus funds
- Funds for courthouse addition, law enforcement center and GSHP
- School building upgrades -- provided more info about 25% Grant program
- Availability and eligibility for ARRA or EECBG funds for EE in public buildings- geo source heat
- ARRA or EECBG funds for city EE projects
- What will be the State's process for competitive EE projects
- Geo Source Heat System for public school
- EECBG for Manufacturing sector efficiency
- EECBG- Would a revolving loan program qualify for competitive funding
- EECBG eligible activities and planning for competitive grant applications.
- EECBG grant process
- Explained EECBG process, invited him and members to come to LMC/OES workshop - follow-up questions.
- New public works building
- Stimulus funding from CH 138 for Park Rapids
- ARRA for Sustainable Community workshops
- ARRA or EECBG programs for school energy audits and implementation of EE recommendations
- Funding for renewable energy crops and other projects for driftless area in SE MN
- Grants for solar panels and wind on city library
- ARRA or EECBG funds for wind turbine at county fair
- Cook County seeking funds for wind monitoring activities
- Geothermal rebates for homes - about 50 homes
- Commercial buildings energy auditor training proposal.
- Stimulus funding for roof repairs
- ARRA or EECBG funding for a revolving loan program that could work with performance contracts in public buildings
- Rebate funding details
- Rebate funding details and upcoming RFPs
- Rebate funding details
- Assistance finding census data on residential housing stock age to est EE potential
- How cities should respond to question #4 on Attachment D - i.e. - coordination with State.
- How counties should respond to question #4 on Attachment D - i.e. - coordination with State.
- Question on completion of SF 424
- Funding for efficiency in public buildings and how to register for EECBG
- EECBG Plan and projects
- EECBG Plan and projects

- EECBP Plan and projects
- EECBP Plan and projects
- EECBG Plan and projects
- EECBG eligibility questions
- How can a foam insulation manufacturer market to MN's EECBG and Weatherization program?
- Specific question re: SF 424
- How to coordinate with State re: EECBG activities
- Process of applying for 60% EECBG funds - eligible activities, how to measure energy savings, etc.
- Ditto above - provided update
- EECBG formula application questions
- Helped put on workshop for formula cities to help with DOE application process - 17 formula cities and 1 county attended
- Assistance on estimating energy savings for Transportation project
- Letter of support for Smart Grid Investment Grant Program proposal
- Letter of support for Energy Efficient Building America Retrofit Partnership proposal
- Letter of support for Honeywell-U-Morris Smart Grid Proposal to DOE
- Finance: opportunities to help a start up company with a new efficient well water oxidation technology that removes metals, arsenic and other contaminants
- Finance: for scale up of new vehicle technology
- Finance: funding and partnerships for developing line of Toro renewable or EE mowing vehicles
- Finance: ARRA or EECBG funds for scale up of a magnetic motor vehicle technology
- Finance: to assist with renewable energy at ethanol plant
- Funding for prototype of new vertical wind turbine technology
- Funding for methane digester for food processing and community
- Seeking feasibility study funding for a new venture to produce pipeline quality methane from biomass gasification
- Seeking funding to develop process for wood pellet manufacturing. Has patent to increase energy content of wood pellets.
- Seeking funding for emerging renewable energy business
- Seeking funding for emerging renewable energy business - vertical axis wind turbines to mount on communication towers
- What agency determines Qualified Energy Conservation Bond allocations? MMB
- Seeking funding for emerging renewable energy business - woodchips to natural gas
- Seeking funding for emerging renewable energy business
- Seeking funding for emerging renewable energy business
- Project eligibility for treasury grant
- Seeking funding for emerging renewable energy business
- Buy the Ainsworth OSB Plants to make biomass pellets & Advanced Grant in Lieu of Tax credit
- Assistance with Treasury & DOE funding to purchase Ainsworth OSB plants and convert them to wood pellet plants (gasification process)

- R&D to reduce the cost of solar thermal and to increase efficiency of solar energy systems by developing a hybrid solar thermal/solar PV product.
- Treasury Dept's advanced grant in lieu of tax credit
- PHEV and FORD EV fleet deployment + develop plug-in infrastructure to support
- Assistance with Treasury Dept Energy Tax credit program
- Community based alternative energy development - solar-ele.100 KW
- Seeking funding to develop invention to heat car and defrost windows without idling the engine
- Weatherization program overview and eligibility
- Finance: New process efficiency technology tool for refining oil or biofuels to improve output
- Grant proposal for solar thermal integration into District Energy and NRG's district energy systems in MPLS and St Paul
- ARRA funds for mixed biomass and MSW energy facility
- REC credits and ARRA funding for Manufacturing